



**MAIB**

Service·Support·Safety

MOTOR ACCIDENTS INSURANCE BOARD

# ANNUAL REPORT

2019 - 2020

**45**  
YEARS



## PURPOSE STATEMENT

A world class personal injury scheme supporting Tasmanians and road safety.

## OUR VALUES

The MAIB's values are:

- Team Commitment
- Flexibility and Adaptability
- Community Awareness
- Accountability
- Respect, Understanding and Dignity

## DEDICATED SERVICE

### 5 YEARS

John	Chris 1	Samantha 2
Jack	Naomi 1	Keryn 2
Melisa	Aidan 1	Chelsea 2
Bron	Shanay 1	Teena 3
Taleah 1	Sonia 1	Josie 4
Sara 1	Emma 1	Kate 4
Lisa 1	Andrew 2	Paul 5
Nathan 1	Evan 2	

### 10 YEARS

Michael 7
Jade 7
Emma 9
Stephen 9
Don 9
Jocelyn 10
Lucy 10

### 15 YEARS

Clare 11
Laura 11
Catherine 11
Anne 12
Annet 12
Kim 12
Jennifer 14
Karen 15

### OVER 15 YEARS

Kristy 18	Jo 31
Peta 18	Derek 32
Angie 18	Linda 35
Jane 19	
Sarah 20	
Grant 21	
Ann 23	
Ian 29	

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# CLAIM BENEFITS

## OVERVIEW

The Motor Accidents Insurance Board (MAIB) was established pursuant to the *Motor Accidents (Liabilities and Compensation) Act 1973 (Act)* and is constituted as a Government Business Enterprise (GBE) under section 6 of the *Government Business Enterprises Act 1995 (GBE Act)*.

The MAIB commenced operations on 1 December 1974 and is the single provider of compulsory third party (CTP) motor accident insurance in Tasmania.

The Tasmanian Economic Regulator provides independent pricing oversight for MAIB premiums.

Benefits of the Tasmanian scheme include:

- "No-fault" statutory compensation for people who sustain fatal or personal injury as the result of a motor accident;
- "No-fault" lifetime care and support for the catastrophically injured;
- Common Law damages when injuries result from the negligence of another party;
- Indemnity for negligent motor vehicle owners or drivers for common law personal injury damages actions; and
- "No-fault" payments which allow early access to compensation.

The scheme is fully funded at no cost to the State or its residents, other than the cost of premiums for motor vehicle owners.

## Scheduled Benefits

The provisions for scheduled benefits allow people injured as a result of a motor accident to receive benefits irrespective of fault, allowing benefits and rehabilitation to be made available without delay.

Scheduled benefits include the payment of:

- Reasonable medical and other health professional costs;
- Ambulance transport and hospital treatment costs;
- Attendant care costs;
- Reasonable travel costs for medical treatment;
- Disability allowance (wage replacement);
- Housekeeping allowance;
- Funeral expenses;
- Death benefits; and
- Counselling fees for relatives of people fatally or seriously injured.

Limitations and caps apply to all benefits.

In addition to the scheduled benefits, those that are catastrophically injured have access to lifetime care and support.

## Common Law

Clients can take action for damages for personal injury or death where the fault of another party can be established. There is no threshold restricting access to common law. There is an indexed threshold of \$6,000 for non economic loss, while future economic loss is limited to a maximum of three times adult average weekly earnings. Time limits apply for the commencement of actions for damages.



# GOVERNANCE STRUCTURE

As at 30 June 2020

## Shareholding Ministers

### Portfolio Minister:

The Hon. Michael Ferguson MP

### Treasurer:

The Hon. Peter Gutwein MP

## Board of Directors

### Chairman:

Don Challen AM

### Directors:

Kate Cuthbertson

Michael Dontschuk

John Hindmarsh

Naomi Walsh

## Management Team

### Chief Executive Officer:

Paul Kingston

### Chief Operating Officer:

Sonia Tuff

### Chief Financial Officer:

Derek Thurm

### Manager Continuous Improvement:

Jo Wilson

### Manager – Claims:

Evan Sommerville

### Team Leader – Claims:

Emma Jarman

### Team Leader – Serious Injury Claims:

Jack Hickey

### Injury Management Advisor:

Teena James

### ICT Manager:

Andrew Vinson

### Executive Officer:

Kim Butterworth

### Financial Accountant:

Angie Edwards

## STATEMENT OF COMPLIANCE

The Hon. Peter Gutwein MP, Treasurer and  
Hon. Michael Ferguson MP, Minister for Infrastructure

In accordance with section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament the report of the Motor Accidents Insurance Board for the year ended 30 June 2020. The Report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

Signed in accordance with a resolution of the Directors:

Dated: 21 September 2020



**D W Challen AM**  
Chairman



**M Dontschuk**  
Director



# CHAIRMAN AND CEO REVIEW

On behalf of the Board and management of the Motor Accidents Insurance Board, it is our pleasure to present the MAIB's 2019-20 Annual Report.

The MAIB, like all businesses, has had an unprecedented year due to the coronavirus pandemic. Our priorities during these unprecedented times have been:

- the health and safety of all MAIB staff;
- the ongoing care, health and service to our clients; and
- to support and facilitate our service providers.

The MAIB has undertaken the necessary planning to maintain our service provision to maximise the continuity of care for clients and their families.

## Financial Results

The operating result before tax for the year is a profit of \$9.8 million.

The two key factors which determine the MAIB's financial results (investment income and total claims costs) both varied significantly from budget over the course of the year. The contribution of these two factors is highlighted in the table below.

### Major contributions to business outcomes 2019-20

2019-20	Budget	Actual	Variance
	\$M	\$M	\$M
Claims expense	(150.5)	(134.2)	16.3
Investment income	98.7	23.2	(75.5)
All other factors	121.1	120.8	(0.3)
<b>Profit before tax</b>	<b>69.3</b>	<b>9.8</b>	<b>(59.5)</b>

The MAIB's result for 2019-20 has been impacted by the recent volatility in global investment markets. Despite the volatility, the MAIB's diversified portfolio produced a positive return for the year.

## Investments

MAIB adopts a diversified investment strategy which seeks to maximise long term returns within acceptable bounds of risk. The portfolio is invested in a range of asset classes including domestic and international equities, infrastructure, property, diversifying alternatives, Australian Government bonds and cash. The investment strategy is reviewed annually to match the long-term nature of the outstanding claims liability and maintain a balance with the achievement of sustainable commercial rates of return for the Government and premium affordability.

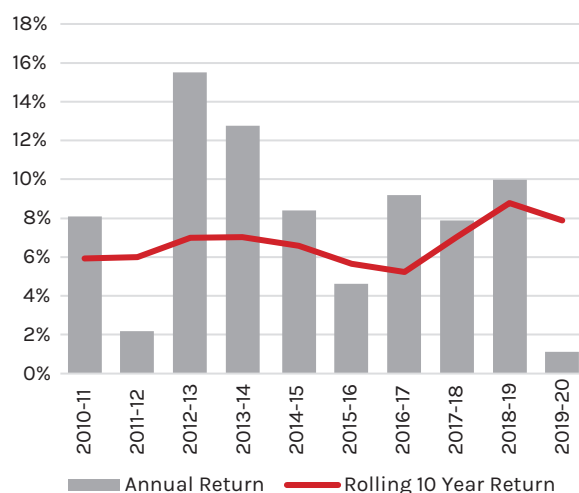
Following the annual strategic asset allocation review during the year, two changes were made to the composition of the investment portfolio:

- diversification was increased to provide greater protection against market volatility through a reduction in exposure to equities; and
- the directly held Australian Government bonds assets and liabilities were replaced by investments in pooled trusts resulting in a simplified implementation of the strategy.

The long term strategy is subject to short term volatility, creating variations in annual returns. The portfolio generated net revenue of \$23.2 million in 2019-20, which represents an annual return on investment of 1.1%.

Investment performance in the second half of the year was reduced due to the impact of coronavirus on global markets. Despite the lower return during the year, the ten-year investment return averages 7.9% per annum. The following chart illustrates the volatility of annual investment returns compared to long term returns.

Investment Returns 2010-11 to 2019-20



## Claims Expense

For the first nine months of the financial year the MAIB saw a minor reduction (3.3%) in claim numbers compared to the same period in 2018-19. For the last quarter of the financial year there was a 36.3% reduction in claim numbers as compared to the previous financial year, primarily due to significant reductions in traffic volumes during COVID-19 restrictions.

The claims experience has been affected by reduced claim numbers, lower payments for Scheduled Benefits and Common Law as well as a reduction in the Future Care claims experience. However, the reduction in the claims experience has been largely offset by the movement in discount and inflation rates underlying the present value of the outstanding claims liability.

The individual movements in the claims expense from June 2019 to June 2020 are summarised below:

#### Major factors in claims expense movement - 30 June 2019 to 30 June 2020

	Change (\$M)	Total (\$M)
Forecast net claims incurred as at 30 June 2019		150.5
Claims experience	(82.0)	
Updated discount and inflation rates	65.7	
Total revisions		(16.3)
Net claims incurred as at 30 June 2020		134.2

## Capital Position

Based on the recommendations of the MAIB's consulting actuary, the Board maintains a target funding ratio (insurance assets as a percentage of net claims liabilities) within a range of 120%-145%. This range takes account of volatility in financial results and the desire for a high degree of confidence that the funding ratio will be at least 100%. The scheme is well positioned with a funding ratio of 126.0% at 30 June 2020.

## Dividend to Government

The MAIB and Government dividend policy (introduced in 2018-19) determines the dividend payout ratio based on a sliding scale linked to the MAIB's funding ratio and smooths the dividend payment by averaging after tax results over five years. Application of the methodology at the end of 2019-20 has resulted in a dividend rate of 50% and a recommended dividend to Government of \$32.6 million.

## Service

Throughout the year the MAIB has continued its focus on quality client service and early engagement which will improve the management of claims and client outcomes. An annual independent client satisfaction survey of all completed claims was undertaken during the year. The MAIB achieved a high client satisfaction rating, with an overall score of 87.5%.

## Claims

The MAIB received 2,294 new claims in 2019-20, representing a claim frequency of 4.2 claims per 1,000 registered vehicles. New claims received during 2019-20 decreased by 12.5% compared to the previous year. As at 30 June 2020 there were 553,796 registered vehicles, representing a growth rate of 1.0% over the past 12 months.

## Premiums

The Tasmanian Government introduced a registration relief package allowing affected business owners to seek the following relief in relation to business vehicles:

- light/heavy vehicles to freeze registrations for up to 12 months;
- heavy vehicles to seek a registration waiver (extension) for up to 12 months; and
- taxis with registrations falling due between 1 March 2020 and 30 September 2020 could take up the same registration freeze or extension options as available to business vehicles.

There has been a reduction in premium revenue of \$1 million during the year from the business relief package.

The MAIB did not apply the general premium increase allowable for 2019-20 under the premiums order set by the Tasmanian Economic Regulator. The MAIB's premium for a motor car remains the lowest of all State and Territory schemes, while providing arguably the most comprehensive benefits of all schemes.

## Road Safety Funding and Community Support

In 2019-20 the MAIB provided in excess of \$4.6 million to a wide range of community, Government and other organisations in Tasmania through various funding arrangements, grants and sponsorships. The funding was primarily focussed on efforts to improve road safety and motor accident outcomes and includes a \$3.9 million contribution to the education and enforcement strategies of the Road Safety Advisory Council. Other supported activities include funding of regional high schools to provide all-terrain vehicle training, sponsorship of brain injury disability related charities and learner driver mentor programs.

## Acknowledgments

We would like to acknowledge all MAIB staff for their continued commitment, dedication and professionalism throughout the year and extend our thanks to them for their support in facilitating the care and support to the MAIB's clients, and to recognise the management team for leading the organisation. We also wish to recognise the Directors for their contribution, expertise and stewardship of the MAIB throughout the year.

Evelyn Horton retired from the Board in January 2020. We thank her sincerely for her service and excellent contribution. John Hindmarsh joined the Board in February 2020. We look forward to his contribution.

# CLAIMS MANAGEMENT

## Our Claims

### 2019-20

2,294 Claims received

87.5% Client satisfaction

99.2% New claims assessed within one business day

97.5% First contact calls made within one business day

## Care for our clients

In 2019-20, the MAIB received claims from 2,294 people who had been injured as a result of a motor vehicle accident and needed support to maximise their recovery. The support for clients continues beyond immediate emergency hospital care and medical treatment, the MAIB is here to help clients return to their everyday life as soon as possible.

The MAIB Future Care program, which cares for the catastrophically injured, continues to support 103 people who need lifetime daily support.

## Client Service - First Contact

The MAIB takes pride in treating all clients with respect, understanding and dignity and takes the time to understand the individual needs of our clients to enable them to recover as quickly as possible. A claims team, assigned to each client, is available to provide clients with an understanding of how the MAIB can assist them during their recovery. This includes how they are supported to receive medical treatment, facilitating access to domestic or attendant care services, and how they can access financial assistance if they cannot work whilst recovering from their injuries.

In the last year, the MAIB has been focussed on putting the client at the heart of everything we do. The Client First program, which connects the MAIB with clients as early as possible following the receipt of a claim, is key to the way we manage claims.

The client service program, First Contact, ensures the MAIB is listening to what matters most to clients and their families when it matters most. First Contact includes committing to speaking to people as soon as possible and ensuring that clients receive a tailored individual recovery plan, delivered in a holistic way so that treatment is integrated and complementary.

## Claims Performance

Claim numbers in 2019-20 continued the downward trend of recent years. Of the 2,294 claims received in 2019-20, the MAIB assessed 99.2% of claims within one business day of the claim being received by MAIB.

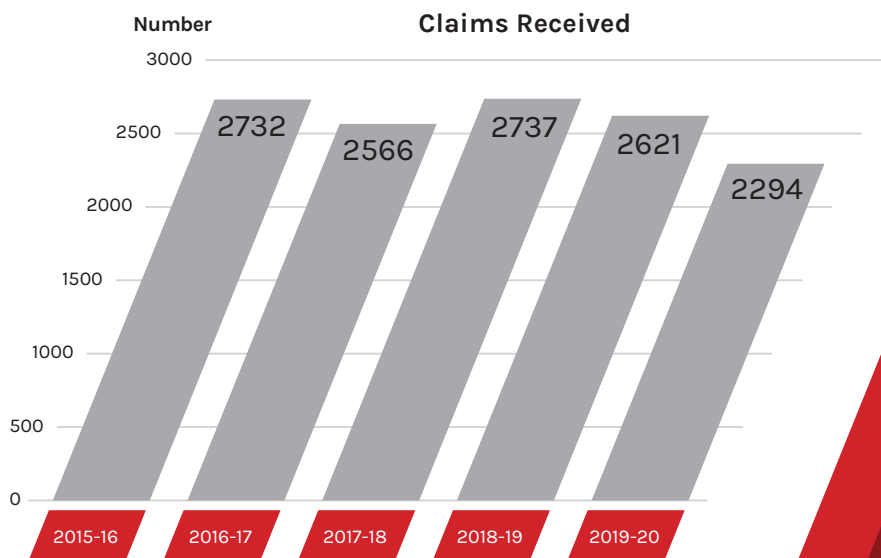
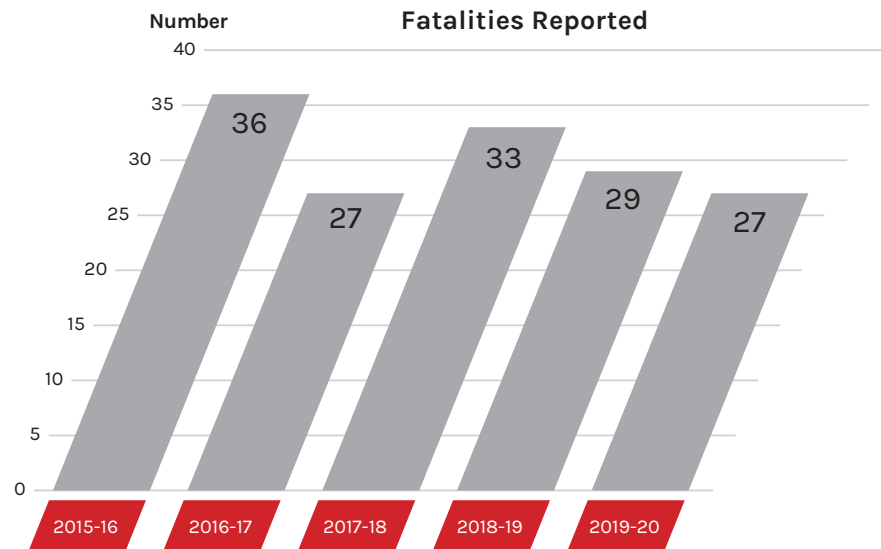
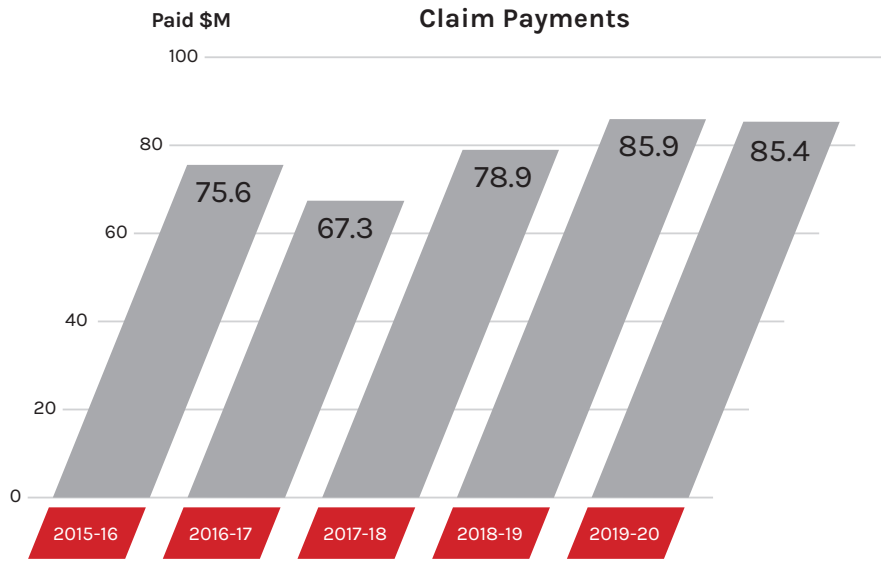
Claim payments this year totalled \$85.4 million, which represents a marginal decrease from the previous year and is broadly consistent with the range over the past five years.

Client service remains one of the most important measures at MAIB. The MAIB is proud to have achieved a claims client satisfaction score of 87.5% in 2019-20, which continues to reflect the dedication to the client experience and engagement by the staff at MAIB.

There was a reduction in the lives lost on our roads from 29 in 2018-19 to 27 in 2019-20.









## CORPORATE GOVERNANCE

### Legislative Authority

The MAIB was established pursuant to the Act and is constituted as a GBE under section 6 of the *Government Business Enterprise Act 1995* (GBE Act).

### Corporate Plan and Ministerial Charter

In accordance with the GBE Act, the MAIB has a Corporate Plan and a Ministerial Charter. The Corporate Plan provides a clear strategic direction for the organisation for the next four years, including financial forecasts.

### Risk Management

The MAIB has in place a risk management framework including a Risk Appetite Statement, Risk Management Policy, Risk Management Plan, Business Continuity Plan and an ICT Disaster Recovery Plan.

Risk identification, management and review, as well as compliance, are conducted on a continual basis. Formal reporting of compliance with, and effectiveness of, the risk management framework and internal risk mitigation is made to the Board through the Audit Committee.

### Pricing Policies

The Tasmanian Economic Regulator provides independent pricing oversight for the MAIB's premiums. The Regulator undertook a review during 2016-17, resulting in recommendations relating to premiums as at 1 December 2017 and for the following three years.

### Board of Directors

In fulfilling its oversight role, the Board sets relevant performance targets for the business with a focus on achieving appropriate commercial returns and maintaining affordable premiums. The Board reviews and approves strategies and policies that will assist in the achievement of corporate goals and compliance with legislative requirements.

There are three committees to assist the Board with corporate governance and oversight responsibilities.



## Audit Committee

The Audit Committee (constituted in accordance with section 16 of the GBE Act) meets on a regular basis and assists the MAIB in fulfilling its corporate governance and oversight responsibilities in relation to:

- Financial reports and reporting processes;
- Internal control structures and monitoring;
- Risk management; and
- Internal and external audit.

## Claims Committee

The Claims Committee meets on a regular basis to:

- Consider all settlement decisions on larger claims; and
- Approve settlements between \$300,000 and \$1,000,000 (the full Board is required to approve settlements above \$1,000,000).

## Injury Prevention and Management Foundation (Foundation) Committee

The Foundation Committee meets as required to:

- Assess all project funding applications; and
- Provide recommendations to the Board on projects to be funded.

## Board Processes

There are a number of processes in place to manage Board performance.

### Evaluations

The MAIB has external (every three years) and internal (annual) processes in place to conduct performance assessments of the Board, its Committees, the individual Directors and the Chairman.

An internal evaluation of the Board, individual Directors and the Chairman was undertaken in 2020.

### Director Induction, Education and Training

The Board has a Director Induction, Education and Training policy in place to provide Directors with an understanding of corporate expectations, as well as appropriate support for their ongoing education and training.

## Code of Conduct

The MAIB has a Code of Conduct for Directors. This is reviewed every two years and is available to the public on the MAIB website.

## CEO Performance Review

An annual review of the Chief Executive Officer's performance is conducted by the Board. The review includes MAIB's business performance, achievement of strategic objectives, service delivery, leadership and risk management (addressing the requirements under section 20B of the GBE Act).

## Nominations

The Board as a whole is responsible for:

- Considering the required skills and/or appointment of Directors;
- Reviewing succession plans; and
- Conducting the annual Board performance evaluation process.



## BOARD OF DIRECTORS



### DON CHALLEN

AM BEc (Hons), MEd, FCA, FCPA,  
FAICD, FIPAA

#### Chairman (Independent)

##### Appointed:

17 December 2010

##### Member:

Audit Committee  
Foundation Committee

Don is an economist specialising in public finance.

He is currently a Senior Adviser with Flagstaff Partners and Chair of the Tasmanian Symphony Orchestra. He chairs the Premier's Economic and Social Recovery Advisory Council.

Don has extensive non-executive director experience. He was formerly Chairman of the Tasmanian Public Finance Corporation, a Director of Tasmanian Networks Pty Ltd and a Trustee Director and President of the Retirement Benefits Fund. He was formerly Secretary of the Department of Treasury and Finance in Tasmania.



### KATE CUTHBERTSON

LLB (Hons), BA, Grad Cert in Legal  
Practice, GAICD

#### Director (Independent)

##### Appointed:

27 November 2015

##### Member:

Claims Committee  
Foundation Committee

Kate is a lawyer with over 20 years' experience practising in the areas of Criminal Law and General Litigation.

She commenced practice as a Barrister at Malthouse Chambers in Hobart in February 2010 and was appointed Head of Chambers in August 2014.

Kate is a member of the Parole Board, Anti-Discrimination Tribunal, Council of Obstetric and Paediatric Mortality and Morbidity, Sentencing Advisory Council, a Criminal Injuries Compensation Commissioner, Deputy Chairperson of the Racing Appeal Board and a Board Member of Mosaic Support Services.



### MICHAEL DONTSCHUK

BSc (Hons), FFTP, GAICD

#### Director (Independent)

##### Appointed:

1 May 2013

##### Member:

Audit Committee

Michael is a finance professional with over 35 years' experience in investment, finance, treasury and financial risk management. He worked extensively in corporate financial advisory and investment banking.

He is currently a professional non-executive director and sits on a number of company boards including the Public Trustee, Grange Resources Limited, Australia Ratings and Eticore.

Michael has previously been an executive with Grange Resources Limited, Group Treasurer of ANZ Bank, Managing Director of Treasury Corporation Victoria, President and Director of the Finance and Treasury Association of Australia and Manager at Bankers Trust.



## JOHN HINDMARSH

MBA, GAICD,

### Director (Independent)

**Appointed:**

1 February 2020

**Member:**

Claims Committee

John is an experienced executive and director with over 30 years' experience in finance and investment, including twelve years as the CEO of the Tasmanian Public Finance Corporation.

He was a member of the board of the Tasmanian Public Finance Corporation between 2002 and 2014, and of the establishment board for the New Zealand Venture Investment Fund in 2001-02.

John is currently the Chairperson of the Pauanui Business Association Inc.



## NAOMI WALSH

FCA, GAICD, MBus

### Director (Independent)

**Appointed:**

1 January 2019

**Member:**

Audit Committee  
Claims Committee

Naomi is a finance professional with 30 years' experience in chartered accounting and commercial roles and was the 2015 Telstra Tasmania Business Woman, Private and Corporate.

She is a Teaching Fellow with the University of Tasmania, a Tasmanian Regional Councillor for CAANZ and the Tasmanian representative on the CAANZ Corporate Sector Advisory Committee.

Naomi is a Commissioner for the Legal Aid Commission of Tasmania and a board member of the Tasmanian Building and Construction Industry Training Board and Tasmanian Traineeships and Apprenticeships Committee.

## EVELYN HORTON

BEd, MSocSci(Econs), FAICD

### Director (Independent)

**Appointed:**

16 May 2017

**Member:**

Claims Committee  
Audit Committee

Evelyn retired from the Board on 31 January 2020.

# STATEMENT OF CORPORATE INTENT

## Introduction

The Statement of Corporate Intent (SCI) is a high level summary of the Corporate Plan and includes a performance agreement between the Board of the MAIB and the Shareholding Ministers.

The performance agreement details the key financial and non-financial targets for the MAIB for 2019-20, as agreed between the Board and the Shareholding Ministers through the Corporate Planning process. It also details estimates for the three years thereafter.

The SCI has been prepared in accordance with the *Government Business Enterprises Act 1995* (GBE Act).

## Strategic Direction

The core business of the MAIB is to provide compulsory third party personal injury motor accident insurance and deliver appropriate compensation to people injured in motor accidents.

The three main drivers of the business performance are premiums, investment income and claims expense. Major external influences include financial markets affecting investment returns and changes in prevailing bond yields impacting claims expense. While every attempt is made to monitor and navigate these external influences, it is not possible to predict annual profits with certainty, leaving forecasts open to significant volatility.

The following strategic goals have been identified for the planning period:

### 1 / Quality client service

Maximising recovery and everyday life through quality client service and focusing on what matters most to our clients as individuals.

### 2 / Strong financial management

Maintain a well-funded scheme that maximises value for the State.

Deliver financial outcomes that optimise our risk/return objectives and demonstrate strong governance in order to provide long term sustainability.

### 3 / Towards zero serious road casualties and trauma

Actively support accident prevention and injury management initiatives to assist in reducing the frequency, severity and impact of motor accidents in Tasmania.

Be a key influence on, and participant in, moving toward a future of zero serious road accident casualties, including funding appropriately targeted road safety services and initiatives and influencing good road safety outcomes.

### 4 / Valued, motivated and supported workforce

Sustain a valued, motivated, engaged, accountable, client focused and supported workforce.

### 5 / Enhanced client experience through continuous improvement

Continue to improve efficiency, accuracy and robustness of all business practices and systems to increase productivity, provide time for staff in order to enhance client service and support decision making.

### 6 / Community and stakeholder engagement

Establish and maintain MAIB's standing within the community by actively engaging with all stakeholders and pursuing strong community involvement.



## Performance Agreement

### Financial Returns to Government

	Target 2019-20	Actual 2019-20
Dividends Paid (\$M)	41.5	91.9 <sup>1</sup>
Tax Equivalents Paid (\$M)	-	11.2
<b>Total</b>	<b>41.5</b>	<b>103.1</b>

<sup>1</sup> Includes the \$50 million Special Dividend paid during 2019-20

### Financial Targets

	Target 2019-20	Actual 2019-20
Financial Result after Tax (\$M)	48.9	8.1
Funding Ratio (%)	125.0	126.0
Return on Equity (%) - 1 Year	8.0	1.5
- 15 Years	8.0	18.1
Return on Assets (%) - 1 Year	3.0	0.5
- 15 Years	3.0	6.5
Return on Investments (%) - 1 Year	5.5	1.1
- 15 Years	5.5	6.6
Premium Increase (%)	2.5	0.1

### Non-Financial Targets

	Target 2019-20	Actual 2019-20
General claim rate per 1,000 vehicles	5.0	4.2
Serious claim rate per 1,000 vehicles	1.1	1.0
Number of outstanding claims	2,300	2,198
Client satisfaction (%)	76.0	87.5
Staff engagement (%)	76.0	67.0
Premium affordability of AWOTE (%)	21.0	19.8

The MAIB's funding ratio of 126.0% at 30 June 2020, is within the target range of 120% to 145% and above the 125% initial forecast. The financial result after tax of \$8.1 million for 2019-20 was below budget due primarily to the lower investment return of 1.1% for the year (4.4 percentage points below budget). The reduction in investment revenue was partially offset by net savings in claim costs. The lower profitability was also reflected in the corresponding reductions in the annual returns on equity and total assets, although the long term average returns for both measures remain above target.

Following receipt of actuarial advice, there was no general premium rate increase applied during the year, with the annual premium for a motor vehicle being maintained at \$294 for 2019-20. Premium rates relating to a small number of vehicle classes were subject to relativity adjustments during the year (both increases and decreases) as allowed in the current Premiums Order. The minimisation of premium increases has resulted in further improvement in premium affordability for Tasmanian motor vehicle owners.

The MAIB targets long term growth from its investments and structures its portfolio in accordance with the profile of the outstanding claims liability. This strategy is expected to meet MAIB's requirements over the long term, however, it introduces short term volatility which continues to be evident in annual investment returns.

## ROAD SAFETY AND COMMUNITY INVOLVEMENT

Each year the MAIB actively works with other sectors of the Tasmanian community to promote safer driving, as well as advancing practices for the treatment and rehabilitation of injured people. This work supports the MAIB objectives of reducing the number and severity of accidents that occur on Tasmanian roads, as well as improving injury outcomes.

The MAIB proudly sponsors a range of community and road safety initiatives each year, including:

### Road Safety Advisory Council (RSAC)

Established in 1996, the RSAC enforcement and public education program is an MAIB funded initiative of the Department of State Growth, Tasmania Police and the MAIB. The MAIB's funding of the RSAC program is currently in excess of \$3.8 million per annum and the funding commitment extends to 30 June 2021.

The RSAC program has significantly grown in profile and research conducted has concluded that the RSAC program is perceived by the Tasmanian community as the pre-eminent independent face of road safety. The RSAC activities have contributed to a consistent, and substantial, decrease in serious injury claims frequency during this period.

Several road safety marketing campaigns were delivered through RSAC during 2019-20, including:

- Don't Drive Blind;
- Keep your load off the road;
- Emergency vehicles;
- Young Drivers;
- Your speed is our safety 2; and
- Safety Barriers Saves Lives.



Image from the "Don't Drive Blind" campaign

## Injury Prevention and Management Foundation

The Foundation was established under the Act in 1993 with the objective of promoting measures to reduce the number and severity of motor accidents and minimise the costs of the scheme to the Tasmanian community.

The Foundation funds research, education and service development programs directed towards the prevention of motor accidents and/or the reduction in the severity and improved management of injuries resulting from motor accidents. The priority areas of the Foundation are:

- Promoting and advancing road safety;
- Reducing the frequency and severity of injuries from road accidents;
- Improved access to quality medical, rehabilitation and long-term care services; and
- New development/techniques in areas of injury management.

The MAIB, through the Foundation, provides funding to a maximum of 1% of gross premium revenue per annum.

## Foundation Projects Funded in 2019-20

The projects funded through the Foundation in 2019-20 were:

- Hobart Clinical School – Wilderness Skills Weekend;
- Yolla District High School – Driver Education and All-Terrain Vehicle Training (for Year 10 students);
- Campbell Town District High School – Beat the Stats 2 (for Year 10 students);
- Paraplegic and Quadriplegic Association of Tasmania – Focussed on ABILITY;
- Brain Injury Awareness Tasmania - Rethink Brain Injury; and
- Road Trauma Support – Supporting and promoting healing in Tasmania for road crash victims with psychological and emotional trauma.

## Motorcycle Road Skills Course

The Motorcycle Refresher Skills Course was initially funded through the MAIB Injury Prevention and Management Foundation in 2005. The aim of the project was to upgrade the road skills of motorcyclists through the motorcycle road skills refresher course. In 2006, in an effort to decrease motorcycle related claims and to improve driving skills of motorcyclists who were returning to riding after an extended break, the MAIB agreed to provide a subsidy (\$150 per participant) to apply to a Road Skills Refresher Course for Tasmanian motorcyclists.

With the implementation of the new Motorcycle Training and Assessment Program in Tasmania in mid 2017 (by Motor Registry), the original course was replaced by the Check Ride component of the new motorcycle training program. The course is now called Returning Riders Road Skills Check Ride. The MAIB subsidises \$150 towards the cost of the course.

The MAIB continues to assist the State Government and motorcycle representative groups in the ongoing improvement of motorcycle training.



## ROAD SAFETY AND COMMUNITY INVOLVEMENT (CONTINUED)



### Tasmanian Community Achievement Awards

The MAIB has provided sponsorship of the MAIB Disability Achievement Award as part of the Tasmanian Community Achievement Awards (Awards) since its inception in 2007. The Awards aim to encourage, acknowledge and reward the valuable contributions that individuals, groups, communities and businesses are making throughout Tasmania.

The 2019 award went to Mark Leseck. Mark is passionate about helping others who have lost limbs, since he became an amputee as a result of a road accident. He explored many ways to regain his independence, from developing his own prosthetics to eventually having osseointegration, a surgical procedure to connect a prosthesis directly into the end of a residual limb. Mark was the first Australian to have arm osseointegration and one of a selected few to have Targeted Muscle Innervation, where the amputated nerves are transferred to activate the remaining muscles. He is now an inspirational public speaker who encourages others towards the path of osseointegration.

Presentation of the MAIB Disability Achievement Award 2019 by MAIB Injury Management Advisor, Teena James to Mark Leseck.

### Road Rescue Services Funding for Emergency Services

The MAIB provides annual funding to the Tasmanian Fire Service and State Emergency Service for road rescue services. In 2019-20 the total MAIB annual funding for these services was around \$477,000.

### Motor Accidents Injury Insurance Schemes

The MAIB is a member of the Heads of Motor Accidents Injury Schemes (HMAIS), which comprises the motor accident personal injury insurance bodies from all Australian states and territories as well as New Zealand. The HMAIS meet regularly to facilitate a shared understanding of trends and advancements in road safety as well as injury management and treatment. During 2019-20, the MAIB chaired the HMAIS and was a participant in a number of sub-committees.

### MAIB/Metro Nightrider

The MAIB has funded the MAIB Nightrider service for the past nine years. The MAIB Nightrider service comprises Metro buses being subsidised to operate on New Year's Eve in Hobart, Launceston and Burnie, thereby providing a low-cost option (\$2 flat fee) to get home safely for those celebrating.

**BE A REAL MATE THIS NYE**

**CATCH THE MAIB NIGHTRIDER FOR JUST \$2**

check out [metrotas.com.au](http://metrotas.com.au) for information

**MAIB**  
Service-Support-Safety

REAL MATES DON'T LET MATES DRINK DRIVE

**Metro**

# OUR PEOPLE

## Human Resources

The MAIB is committed to maintaining a valued, motivated, engaged, accountable, and supported workforce which is able to deliver a high-quality service in accordance with the MAIB's Purpose and Values.

## Employment Conditions

The MAIB has approximately 39.4 FTEs, with a staff profile of 73% of whom are female. Fourteen staff members work part time using ongoing flexible working arrangements to help achieve a work/life balance and accommodate family commitments.

The wages and conditions for MAIB staff are provided for under the MAIB and FSU Enterprise Agreement 2019. The MAIB has a Staff Code of Conduct (Code) to which all employees must adhere. The Code is reviewed on an annual basis and is available on the MAIB website.

## Employee Development

Staff at the MAIB are provided with ongoing training opportunities to assist in their development. Training that has been undertaken throughout the year includes:

- Right to Information Basic Training
- Three Point Identity Checking Training;
- Management Training; and
- MAIB DISC (personality types and behaviours) Teams workshops;

## Employee Wellbeing

The MAIB has a Health and Safety Committee to promptly identify risks and address any issues that may affect employee safety.

There is also an Employee Assistance Program available, offering counselling services to all staff for both work and personal issues.

## Support for Charities

The MAIB staff are passionate about providing support to charities. Some of the charities that have been supported throughout the year include:

- Red Cross Meals on Wheels – MAIB staff support the Red Cross by undertaking fortnightly Meals on Wheels deliveries on a rostered basis;
- Casual Clothes Day donations and fundraisers – Casual clothes day occurs once a month to raise funds for charities nominated by staff. The charities that have been supported throughout the year include, Australian Bushfire Appeal, Christmas Gifts for the elderly, Eddie Rice Camps, Huntingtons' Disease, Love Your Sister, Launceston Feeding the Homeless;
- Samaritan's Purse Operation Christmas Child – MAIB employees continue to participate in this project that provides gift filled "shoe boxes" to needy children in over 100 countries; and
- Pollie Pedal – The MAIB provided sponsorship for Pollie Pedal 2019, which is a cycling event that raises awareness and funds for Diabetes Tasmania.









# FINANCIAL REPORT

2019 - 2020

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# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
Premium revenue	2	140,743	138,353
Outwards reinsurance expense		(5,751)	(5,696)
Net premium revenue		134,992	132,657
Gross claims incurred	3	(138,838)	(247,130)
Recovery revenue	3	4,648	10,648
Net claims incurred		(134,190)	(236,482)
Underwriting expenses		(3,121)	(3,006)
Unexpired risk expense	15	1,216	(5,430)
<b>Underwriting result</b>		<b>(1,103)</b>	<b>(112,261)</b>
Investment income	4	24,171	163,555
Investment expenses	4	(1,015)	(1,418)
Other income		587	674
General and administration expenses	5	(7,376)	(6,983)
Road Safety Advisory Council	6	(3,899)	(3,822)
Injury Prevention and Management Foundation	7	(341)	(333)
State Emergency Service	8	(343)	(337)
Other expenses		(929)	(666)
<b>Profit/(loss) before tax</b>		<b>9,752</b>	<b>38,409</b>
Tax (expense)/benefit	9	(1,694)	(8,249)
<b>Profit/(loss) after tax</b>		<b>8,058</b>	<b>30,160</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Defined benefit plan actuarial gains/(losses)		989	(1,745)
Revaluation of land and buildings		(1,250)	1,083
Tax (expense)/benefit on other comprehensive income		78	199
<b>Other comprehensive income net of tax</b>		<b>(183)</b>	<b>(463)</b>
<b>Total comprehensive result</b>		<b>7,875</b>	<b>29,697</b>

The above statement should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	10	4,908	13,161
Receivables	12	21,643	28,438
Investments	10	1,795,847	2,055,375
Prepaid tax	9	5,837	21,893
Property, plant and equipment		18,423	17,694
Intangibles		173	119
Prepaid expenses		41	-
<b>Total assets</b>		<b>1,846,872</b>	<b>2,136,680</b>
<b>Liabilities</b>			
Payables		2,271	2,087
Investments	10	-	241,020
Net deferred tax	9	1,651	27,264
Unearned premiums	13	63,795	60,560
Outstanding claims	14	1,295,028	1,236,059
Unexpired risk	15	5,693	6,923
Provision for employee benefits	16	8,930	9,260
<b>Total liabilities</b>		<b>1,377,368</b>	<b>1,583,173</b>
<b>Net assets</b>		<b>469,504</b>	<b>553,507</b>
<b>Equity</b>			
Retained earnings attributable to equity holders		464,008	547,136
Reserves		5,496	6,371
<b>Total equity</b>		<b>469,504</b>	<b>553,507</b>

The above statement should be read in conjunction with the accompanying notes.



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
Balance at 1 July 2018	575,237	-	575,237
Profit/(loss) after tax	30,160	-	30,160
Other comprehensive income net of tax	(1,221)	758	(463)
Total comprehensive result	<b>28,939</b>	<b>758</b>	<b>29,697</b>
Transfer from retained earnings to reserves	(5,613)	5,613	-
Dividends paid	(51,427)	-	(51,427)
<b>Balance at 30 June 2019</b>	<b>547,136</b>	<b>6,371</b>	<b>553,507</b>
Profit/(loss) after tax	8,058	-	8,058
Other comprehensive income net of tax	692	(875)	(183)
Total comprehensive result	<b>8,750</b>	<b>(875)</b>	<b>7,875</b>
Dividends paid	(91,878)	-	(91,878)
<b>Balance at 30 June 2020</b>	<b>464,008</b>	<b>5,496</b>	<b>469,504</b>

The above statement should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Inflows (Outflows) \$'000	2019 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Premiums received		157,971	154,033
Recoveries received		11,855	14,994
Dividends received		49,179	67,159
Interest received		393	4,581
Rent received		580	647
Other investment revenue received		1,779	1,450
Claims paid		(85,350)	(85,929)
Reinsurance paid		(6,262)	(5,998)
Underwriting expenses paid		(3,449)	(3,344)
General and administration expenses paid		(6,855)	(6,634)
Other expenses		(836)	(425)
Investment expenses paid		(1,192)	(1,549)
Road Safety Advisory Council		(4,298)	(4,205)
State Emergency Service Fund		(378)	(370)
Injury Prevention and Management Foundation		(373)	(383)
Tax equivalent paid		(11,172)	(24,340)
Goods and services tax paid		(6,838)	(7,029)
<b>Net cash from operating activities</b>	17	<b>94,754</b>	<b>102,658</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(1,065,023)	(3,303,615)
Sale of investments		1,056,414	3,259,512
Purchase of property, plant and equipment		(2,408)	(124)
Purchase of intangibles		(128)	(39)
Sale of plant and equipment		16	15
<b>Net cash flows from investing activities</b>		<b>(11,129)</b>	<b>(44,251)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(91,878)	(51,427)
<b>Net cash flows from financing activities</b>		<b>(91,878)</b>	<b>(51,427)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(8,253)</b>	<b>6,980</b>
Cash and cash equivalents at the beginning of the financial year		13,161	6,181
<b>Cash and cash equivalents at the end of the financial year</b>	10	<b>4,908</b>	<b>13,161</b>

The above statement should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 1 Basis of preparation

This section of the financial report sets out the accounting policies of the Motor Accidents Insurance Board (MAIB) that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

### (a) Reporting entity

MAIB was established and is governed by the *Motor Accidents (Liabilities and Compensation) Act 1973*. MAIB is a for-profit Tasmanian Government Business Enterprise, which administers the funding and payment of compulsory third party motor accident compensation to eligible people who have been injured in a motor accident.

MAIB is domiciled in Australia and its principal place of business is Level 1, 33 George Street, Launceston, Tasmania 7250.

### (b) Statement of compliance

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards and Interpretations, the *Government Business Enterprises Act 1995*, and the Treasurer's Instructions and Guidelines.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements cover MAIB for the year ended 30 June 2020 and were certified and authorised for issue by the Board of Directors on 13 August 2020.

### (c) Basis of accounting

The financial statements have been prepared on an accruals basis and are based on historical costs, except for:

- investments and land and buildings which are measured at fair value; and
- the outstanding claims liability, recoveries receivable and provision for employee benefits which are measured at present value.

Cost is based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars, which is MAIB's functional currency. Amounts have been rounded to the nearest thousand dollars unless otherwise stated.

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments are disclosed in the relevant notes.

The statement of financial position is presented on a liquidity basis, as provided for in AASB 101 *Presentation of Financial Statements* whereby all assets and liabilities are presented in order of liquidity, from most liquid to least liquid. It is deemed by the Board of Directors that this method of disclosure provides information that is more relevant and reliable than the traditional current/non-current classifications. Unless otherwise disclosed, an asset or liability is expected to be recovered either wholly within 12 months or wholly subsequent to this period.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 1 Basis of preparation *Continued*

### Australian Accounting Standards adopted during the period

The following standard has been applied for the first time for the annual reporting period commencing 1 July 2019.

(i) *AASB 16 Leases (operative date 1 January 2019)*

AASB 16 Leases has been adopted retrospectively from 1 July 2019. In accordance with the accounting requirements, MAIB has changed its accounting policy for leases where MAIB is the lessee, while the accounting for leases where MAIB is the lessor has remained largely unchanged. No lease liabilities or right-of-use assets were recognised as a result of the implementation of the new standard.

### Australian Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2020 and have not been adopted by MAIB when preparing the 2019-20 financial report. The standards will be applied in the annual reporting periods beginning on or after the effective dates set out below. MAIB has reviewed the pending standards and considers the following standard may apply. Standards that are not considered relevant to MAIB have not been included.

(i) *AASB 17 Insurance Contracts (operative date 1 January 2023)*

AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. MAIB has commenced a project in relation to the implementation of AASB 17 and is currently assessing the impact of this standard. Initial advice indicates the standard is not expected to have a material impact on the MAIB's financial position. However, it is expected there will be significant changes in the disclosures contained in the notes to the financial statements.

### (d) Risk management policies and procedures

MAIB has a risk management framework which is governed by the Risk Appetite Statement and Risk Management Policy and administered through the Risk Management Plan. The plan outlines key risks and mitigating strategies for MAIB's operations and is designed to effectively manage exposure to financial and non-financial risks.

A summary of the mitigation processes relevant to key risks arising from insurance contracts is contained in Note 14 Outstanding Claims. Information in relation to investment risks is contained in Note 11 Financial Instruments.

## 2 Premium revenue

Premium revenue consists of compulsory third party insurance premiums paid by motor vehicle owners. Premiums are levied at the rates prescribed under the Premiums Order(s) applicable during the year. Premium revenue is collected on behalf of MAIB under a service level agreement with the Department of State Growth. Premium collection fees are levied under this agreement and recognised as underwriting expenses in the statement of comprehensive income.

Premium revenue is recognised in the statement of comprehensive income when it has been earned and is calculated from the date of attachment of risk.

The earned portion of the premiums charged is recognised as revenue from the date of attachment of risk. The pattern of recognition over the policy period is linearly based on time, which is considered to approximate closely the pattern of risks underwritten.

	2020 \$'000	2019 \$'000
Gross written premiums	143,978	140,056
Movement in unearned premiums	(3,235)	(1,703)
Premium revenue	140,743	138,353

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 3 Net claims incurred

The following table shows the impact on the outstanding claims liability of risks borne in the current reporting period separately to the reassessment of the risks borne in all previous reporting periods.

	2020			2019		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
<b>Gross claims incurred</b>						
Inflated/undiscounted	202,152	(113,453)	88,699	212,027	(284,776)	(72,749)
Discount movement	(47,378)	97,517	50,139	(54,393)	374,272	319,879
	154,774	(15,936)	138,838	157,634	89,496	247,130
<b>Claim recoveries</b>						
Inflated/undiscounted	(2,941)	(1,180)	(4,121)	(3,148)	(6,669)	(9,817)
Discount movement	202	(729)	(527)	285	(1,116)	(831)
	(2,739)	(1,909)	(4,648)	(2,863)	(7,785)	(10,648)
Net claims incurred	152,035	(17,845)	134,190	154,771	81,711	236,482

## 4 Net investment income

Dividends are recognised as revenue when the right to receive payment is established. Interest income is recognised using the contractual interest rate. Differences between the net fair values of investments at the reporting date and their net fair values at the previous reporting date (or cost of acquisition if acquired during the financial year) are recognised as a gain or loss in investment income in the statement of comprehensive income in the reporting period in which the changes occur.

	2020 \$'000	2019 \$'000
Interest	4,461	4,040
Dividends	48,293	67,212
Other	1,772	1,447
Changes in fair value of investments		
Realised	8,553	12,841
Unrealised	(38,908)	78,015
Investment income	24,171	163,555
Investment expenses	(1,015)	(1,418)
Net investment income	23,156	162,137

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 5 General and administration expenses

	2020 \$'000	2019 \$'000
Salaries and related expenses	4,598	4,166
Depreciation and amortisation	208	167
Information technology	875	761
International travel <sup>1</sup>	-	28
Other operating costs	1,695	1,861
	<b>7,376</b>	<b>6,983</b>

<sup>1</sup> In the 2018-19 financial year the Chairman and the Chief Executive Officer completed one international trip to meet with reinsurers. No international travel was undertaken in 2019-20.

## 6 Road Safety Advisory Council

MAIB funds enforcement and public education strategies through the Road Safety Advisory Council (RSAC). A Memorandum of Understanding between MAIB, Department of Police Fire and Emergency Management and the Department of State Growth is in operation and specifies the agreed key performance indicators and level of funding.

## 7 Injury Prevention and Management Foundation

The Motor Accidents (Liabilities and Compensation) Act 1973 allows MAIB to fund research and education and to service development programs that are directed towards the prevention and improved management of injuries resulting from motor accidents.

Funding for the Injury Prevention and Management Foundation is by way of up to 1% of premium income each year. Projects are approved by the Board of Directors upon the recommendation of a Committee set up to administer the Foundation.

## 8 State Emergency Service

MAIB funds the State Emergency Service (SES) to provide rural road rescue services where occupants have been trapped in their vehicles after a motor accident. The funding arrangement with the SES assists in the provision of a key component of road crash management and the commencement of the injury treatment process.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 9 Income tax

Under the provisions of the *Government Business Enterprises Act 1995*, MAIB is required to pay income tax equivalents to the State Government under the National Tax Equivalent Regime (NTER).

The income tax expense or benefit for the period is that tax payable or receivable on the current period's taxable income based on the tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities, and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the assets and liabilities giving rise to them are realised or settled, based on tax rates that have been enacted or substantially enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which MAIB expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NTER instalments are paid monthly. A balancing payment is made subsequent to year end following finalisation of the tax position. Where the instalments paid exceed the tax liability no balancing payment is required. Excess instalment payments are retained by the State Government and offset against future tax obligations.

	2020 \$'000	2019 \$'000
<b>(a) Income tax recognised in the statement of comprehensive income</b>		
<b>Tax expense/(benefit) comprises:</b>		
Current tax expense/(benefit)	43,348	(12,126)
Movement in net deferred tax asset/(liability)	(25,613)	6,746
Losses incurred/(utilised)	(17,416)	12,126
Tax on other comprehensive income	78	199
Overstatement of prior year deferred tax asset	1,297	1,304
<b>Tax expense/(benefit) attributable to operating result</b>	<b>1,694</b>	<b>8,249</b>
<b>Reconciliation between operating result and income tax expense/(benefit)</b>		
Operating result before tax	9,752	38,409
Income tax expense/(benefit) calculated at 30%	2,926	11,523
Tax offsets for franked dividends	(2,143)	(3,703)
(Over)/under provision of income tax expense/(benefit) in previous year	911	429
<b>Tax expense/(benefit) attributable to operating result</b>	<b>1,694</b>	<b>8,249</b>
<b>(b) Tax liability/asset</b>		
Provision for tax/(prepaid tax) at 1 July	(21,893)	1,140
Tax payable in respect of current year	27,228	-
Less tax instalments paid	(11,172)	(24,340)
(Over)/under provision for tax in previous year	-	1,307
<b>Provision for tax/(prepaid tax)</b>	<b>(5,837)</b>	<b>(21,893)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 9 Income tax *Continued*

### (c) Deferred tax balances

	1 July \$'000	Recognised in profit and loss \$'000	Recognised in other comprehensive income \$'000	30 June \$'000
<b>2020</b>				
<b>Deferred tax assets</b>				
Investments	795	5,678	-	6,473
Claims handling provision	26,178	4,850	-	31,028
Other provisions	5,246	(167)	(297)	4,782
Plant and equipment	28	(8)	-	20
Tax losses	17,416	(17,416)	-	-
Total deferred tax assets	49,663	(7,063)	(297)	42,303
<b>Deferred tax liabilities</b>				
Investments	74,366	(32,601)	-	41,765
Property	2,561	3	(375)	2,189
Total deferred tax liabilities	76,927	(32,598)	(375)	43,954
Net deferred tax asset/(liability)	(27,264)	25,535	78	(1,651)
<b>2019</b>				
<b>Deferred tax assets</b>				
Investments	817	(22)	-	795
Claims handling provision	22,677	3,501	-	26,178
Other provisions	2,953	1,769	524	5,246
Plant and equipment	34	(6)	-	28
Tax losses	-	17,416	-	17,416
Total deferred tax assets	26,481	22,658	524	49,663
<b>Deferred tax liabilities</b>				
Investments	44,759	29,607	-	74,366
Property	2,240	(4)	325	2,561
Total deferred tax liabilities	46,999	29,603	325	76,927
Net deferred tax asset/(liability)	(20,518)	(6,945)	199	(27,264)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## 10 Investments

All investments are held to back insurance and other liabilities. Investments are mandatorily classified at fair value through the statement of comprehensive income as the investments do not meet the 'solely payments of principal and interest' (SPPI) test and are managed as a portfolio based on their fair values.

Investments are recognised on the date MAIB becomes a party to the contractual provisions of the financial instrument. Initial recognition is at fair value with any resultant gains or losses recognised within investment income in the statement of comprehensive income.

Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and MAIB has transferred substantially all the risks and rewards of ownership. Any gains or losses arising on derecognition are included in the statement of comprehensive income in the year the asset is derecognised as realised gains or losses on financial instruments.

### Fair value

Details of the fair value of MAIB's investments are listed below.

- Cash and cash equivalent assets are held at cost plus accrued interest which approximates their fair value.
- Securities that are listed or traded on an exchange are marked to market based on quoted bid prices at the reporting date.
- Units in unlisted trusts are valued at redemption value per unit as reported by the managers of such funds at the reporting date.
- Fixed interest securities are marked to market using quoted bid prices at the reporting date.
- Derivatives are valued at fair value at reporting date based on published market quotations or market valuation rates.

Where the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, the fair values are subject to estimation.

The primary estimation techniques include adopting the net asset value (NAV) per unit applicable for redemption at the end of the reporting period for investments in unlisted trusts, and discounted cash flow methodologies.

### Repurchase agreements

A repurchase agreement involves the sale of securities with an undertaking to repurchase them at an agreed future date at an agreed price.

Repurchase agreements were utilised by one of MAIB's investment fund managers in a directly held Australian Government bond mandate during 2018-19. This mandate was terminated in 2019-20 and replaced with two managed funds. The disclosure in this financial report in relation to repurchase agreements, therefore, only applies to the comparative year. Securities subject to repurchase agreements at 30 June 2019 (i.e. Commonwealth and semi-government bonds) are retained in the financial statements and are measured in accordance with their original measurement principles. The obligations to repurchase are reported as liabilities and are carried at amortised cost.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 10 Investments Continued

### Derivatives

Derivative instruments are financial contracts whose value depends on, or is derived from, the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or similar variable. Any gain or loss from remeasuring of derivative financial instruments is recognised in the statement of comprehensive income.

MAIB and its fund managers are authorised to invest in derivative financial instruments subject to those derivatives complying with the guidelines set out in MAIB's Investment Policy Statement. Derivative financial instruments include futures, forward contracts, options and interest rate swaps. Derivatives may be used as an alternative to buying or selling the physical security, as a risk management tool or to manage exposure to relevant markets. Derivatives may not be used in a speculative manner or for gearing the investment portfolio. Derivatives are valued at fair value at reporting date based on published market quotations or market valuation rates.

### Investment portfolio

The investment portfolio consists of a range of asset classes designed to meet liquidity needs and to provide for long term growth. At 30 June 2020, the majority of investment assets are held in unlisted unit trusts, with the categorisations below being based on the direct investment in each fund. At 30 June 2019, the Australian Government bonds strategy was implemented by investing directly through an individually managed mandate. This mandate was terminated during 2019-20 and replaced by investments in unit trusts.

MAIB considers the unlisted managed investment schemes (funds) in which it invests satisfy the definition of unconsolidated structured entities as:

- the funds have narrow and well-defined objectives to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- the voting rights are not the dominant factor in deciding who controls the entities, as they relate to administrative tasks only; and
- each fund's activities are restricted by its fund or product offer documents and constitution.

MAIB invests in unrelated managed funds for the purpose of capital appreciation and earning of investment income. The funds' objectives are to generate a return for investors on the capital invested. The funds finance their operations by issuing units to investors and through borrowing. The units issued to investors represent their beneficial interest in the funds' assets. The units can be sold at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

MAIB's unit holding in each fund does not exceed 20% of the total units on offer. MAIB's maximum exposure to loss from its interests in the funds is equal to the total fair value of its investments in the funds, as there are no off-balance sheet exposures. Once MAIB has disposed of its units in a fund, it ceases to be exposed to any risk from that fund.

The table below sets out the composition of MAIB's investment portfolio at balance date. Investments in structured entities in which MAIB holds an interest are categorised by investment strategy.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 10 Investments Continued

	2020 \$'000	2019 \$'000
<b>Cash and cash equivalents</b>		
Cash at bank	4,908	5,740
Cash investments	-	7,421
	4,908	13,161
<b>Investment assets</b>		
<b>Structured entity investments</b>		
Cash funds	88,555	91,613
Australian equities funds	184,441	253,691
International equities funds	481,212	549,393
Diversifying alternatives funds	163,805	-
Property funds	242,780	254,609
Infrastructure funds	99,365	104,933
Fixed income funds	97,979	125,943
Australian Government bonds funds	436,940	-
Total structured entity investments	1,795,077	1,380,182
<b>Other investment assets</b>		
Other cash investments	-	215,718
Australian Government bonds	-	435,855
Outstanding settlements receivable	770	23,231
Other financial assets	-	389
Total other investment assets	770	675,193
Total investment assets	1,795,847	2,055,375
<b>Investment liabilities</b>		
Repurchase agreements payable	-	217,792
Outstanding settlements payable	-	10,956
Other financial instruments	-	12,272
Total investment liabilities	-	241,020
Net investment portfolio	1,795,847	1,814,355

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## 11 Financial instruments

Fair value measurements are classified using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy comprises the following three levels:

- Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are based on market observable inputs other than quoted prices, including dealer quotations or alternative pricing sources and models. The observable inputs include prices and/or those derived from prices. MAIB's level 2 financial instruments primarily comprise investments in:
  - unlisted managed investment trusts where the prices of units are either published on the investment managers' websites and/or circulated among market participants as executable quotes. MAIB holds units in managed investment trusts that invest in listed Australian and international equities, listed property, listed infrastructure, diversifying alternatives, fixed income, Australian Government bonds and cash.
  - Australian Government bonds which are not listed on a stock exchange and where the prices are valued and calculated using discounted cash flow methodologies.
- Level 3 fair value measurements are based on significant unobservable inputs where the fair values are derived from valuation techniques based on assumptions that are not supported by observable market data. Level 3 instruments include investments that are not based on market inputs or securities that are in an inactive/illiquid market and are valued using models and internal data. Financial assets classified as level 3 comprise MAIB's investments in unlisted property and unlisted infrastructure investment schemes. As these investments are not traded in an active market their fair value at reporting date is based on the price advised by fund managers. Generally, the price is based on fair values determined by appropriately skilled independent valuers.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable" requires significant judgement and it is considered that observable data is market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

All fair value measurements disclosed are recurring fair value measurements.

The pricing for most financial instruments is obtained from independent pricing sources, the relevant investment managers or reliable brokers' quotes.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

The following tables present the financial assets and liabilities measured and recognised at fair value at 30 June 2020 and 30 June 2019.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2020</b>				
<b>Financial assets at fair value through the statement of comprehensive income<sup>1</sup></b>				
Cash and cash equivalents	4,908	-	-	4,908
Cash funds	-	88,555	-	88,555
Australian Government bonds funds	-	436,940	-	436,940
Fixed income funds	-	97,979	-	97,979
Australian equities funds	-	184,441	-	184,441
International equities funds	-	481,212	-	481,212
Diversifying alternatives funds	-	163,805	-	163,805
Property funds	-	37,595	205,185	242,780
Infrastructure funds	-	70,160	29,205	99,365
Total	4,908	1,560,687	234,390	1,799,985
<b>Financial assets at amortised cost<sup>2</sup></b>				
Outstanding settlements receivable	770	-	-	770
Receivables	21,643	-	-	21,643
Total	22,413	-	-	22,413
Total financial assets	27,321	1,560,687	234,390	1,822,398
<b>Financial liabilities at amortised cost<sup>3</sup></b>				
Payables	2,271	-	-	2,271
Total	2,271	-	-	2,271
Net financial assets/(liabilities)	25,050	1,560,687	234,390	1,820,127

<sup>1</sup> The fair value of the financial assets equals the carrying amount.

<sup>2</sup> The fair value of the financial assets at amortised cost approximates the carrying amount.

<sup>3</sup> The fair value of financial liabilities at amortised cost approximates the carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2019</b>				
<b>Financial assets at fair value through the statement of comprehensive income<sup>1</sup></b>				
Cash and cash equivalents	13,161	-	-	13,161
Cash investments	-	307,331	-	307,331
Australian Government bonds	-	435,855	-	435,855
Fixed income funds	-	125,943	-	125,943
Australian equities funds	-	253,691	-	253,691
International equities funds	-	549,393	-	549,393
Property funds	-	44,862	209,747	254,609
Infrastructure funds	-	93,652	11,281	104,933
Other financial instruments	389	-	-	389
<b>Total</b>	<b>13,550</b>	<b>1,810,727</b>	<b>221,028</b>	<b>2,045,305</b>
<b>Financial assets at amortised cost<sup>2</sup></b>				
Outstanding settlements receivable	23,231	-	-	23,231
Receivables	28,438	-	-	28,438
<b>Total</b>	<b>51,669</b>	<b>-</b>	<b>-</b>	<b>51,669</b>
<b>Total financial assets</b>	<b>65,219</b>	<b>1,810,727</b>	<b>221,028</b>	<b>2,096,974</b>
<b>Financial liabilities at fair value through the statement of comprehensive income<sup>3</sup></b>				
Other financial instruments	11,389	883	-	12,272
<b>Total</b>	<b>11,389</b>	<b>883</b>	<b>-</b>	<b>12,272</b>
<b>Financial liabilities at amortised cost<sup>4</sup></b>				
Repurchase agreements payable	-	217,792	-	217,792
Outstanding settlements payable	10,956	-	-	10,956
Payables	2,087	-	-	2,087
<b>Total</b>	<b>13,043</b>	<b>217,792</b>	<b>-</b>	<b>230,835</b>
<b>Total financial liabilities</b>	<b>24,432</b>	<b>218,675</b>	<b>-</b>	<b>243,107</b>
<b>Net financial assets/(liabilities)</b>	<b>40,787</b>	<b>1,592,052</b>	<b>221,028</b>	<b>1,853,867</b>

<sup>1</sup> The fair value of the financial assets equals the carrying amount.

<sup>2</sup> The fair value of the financial assets at amortised cost approximates the carrying amount.

<sup>3</sup> The fair value of the financial liabilities equals the carrying amount.

<sup>4</sup> The fair value of the financial liabilities at amortised cost approximates the carrying amount.

There were no transfers between levels 1, 2 or 3 in 2019-20 or 2018-19.

The following table presents the level 3 financial instruments at 30 June.

	2020 \$'000	2019 \$'000
Property funds	205,185	209,747
Infrastructure funds	29,205	11,281
	<b>234,390</b>	<b>221,028</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

The following table presents the changes in level 3 financial instruments.

	2020 \$'000	2019 \$'000
Balance 1 July	221,028	193,469
Realised gain/(loss) recognised in the statement of comprehensive income	7,142	7,259
Unrealised gain/(loss) recognised in the statement of comprehensive income	(9,578)	9,157
Sale of investments	(564)	(1,521)
Purchases of investments	16,362	12,664
Balance at 30 June	234,390	221,028

The disclosures below provide details of the key inputs and assumptions used in the current valuation models. MAIB is reliant on third parties for these valuations and the quantitative information regarding significant unobservable inputs used in the fair value measurement cannot be assessed.

### Significant unobservable inputs used in measuring fair value

#### Property funds

Property investments comprise externally managed unlisted property trusts with exposure to the domestic retail, commercial, and industrial sectors. Fund managers engage independent valuers to value the underlying investments no less than every six months. Properties are valued using appropriate valuation techniques including the capitalisation, discounted cash flow, and direct comparison methodologies.

The key unobservable inputs used in valuing these investments are:

- capitalisation rates ranging between 4.38% and 6.81% (2019: 4.25% and 6.75%); and
- discount rates ranging between 5.75% and 7.53% (2019: 6.00% and 7.00%).

It is possible that the latest independent valuation may not fully reflect the proceeds of sale when a property is sold, particularly in a rapidly moving property market or in a market of limited comparable sales evidence.

#### Infrastructure funds

Infrastructure investments comprise an externally managed unlisted infrastructure fund investing in the social housing and renewable energy sectors.

Fund managers engage independent valuers to value the underlying investments every six months. The valuations of these investments are primarily based on a discounted cash flow methodology. The key unobservable inputs used in valuing these investments include risk free rates, comparable multiples and equity betas.

### Sensitivity to changes in significant unobservable inputs

The use of different methodologies or assumptions could lead to different measurements of fair value. Significant movement in any one of the inputs listed above may result in a change in the fair value of the properties. An increase in the discount rate or capitalisation rate would result in a lower fair value of the investment. A reduction in these rates would increase the fair value. An increase in comparable multiples would result in a higher fair value.

### Volatility in results

MAIB has adopted a strategy that structures its investment portfolio taking account of the expected payment patterns of future financial obligations. Given the long-term nature of the outstanding claims liabilities, the investment strategy contains an allocation to both growth assets (such as listed equities and property) and defensive assets (such as cash and bonds).

Growth assets are held to deliver additional return over the longer term compared to the return expected to be achieved by investing solely in the defensive asset classes. Growth assets are volatile in nature and investment returns may vary significantly from year to year.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

### Investment risk management

MAIB's financial assets and liabilities are exposed to a variety of financial risks, primarily:

- (a) market risk (including price risk, foreign currency risk and interest rate risk);
- (b) credit risk; and
- (c) liquidity risk.

MAIB, in consultation with its investment consultant, master custodian and external fund managers, is responsible for the management and control of financial risks. MAIB's Investment Policy Statement provides written principles for the overall risk management of the investment framework and outlines the approach for managing specific risk areas including price risk, foreign currency risk, interest rate risk, credit risk, and liquidity risk.

The Risk Management Plan addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance in order to achieve MAIB's investment objectives of satisfactory long term real growth and to maintain an acceptable level of solvency.

The maximum risk for MAIB resulting from financial instruments is determined by the fair value of the financial instruments.

### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in financial markets. Market price risk comprises three types of risk:

- (i) price risk;
- (ii) foreign currency risk; and
- (iii) interest rate risk.

The market risk disclosures are prepared on the basis of MAIB's direct investments. The sensitivity of MAIB's retained earnings attributable to equity holders and operating result to price risk, foreign exchange risk and interest rate risk is determined based on management's best estimate, having regard to a number of factors, including historical levels of change in interest rates and foreign exchange rates and market volatility. However, actual movements in risk variables may be greater or less than anticipated due to a number of factors including unusually large market shocks resulting from changes in the performance of economies, markets and securities in which MAIB invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

### (i) Price risk

Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

MAIB has exposure to equity price risk arising from investments in managed funds which invest in Australian and overseas equity markets. Fund unit prices are impacted by changes in the price of the underlying equities held by the funds. All security investments present a risk of loss of capital.

MAIB mitigates its price risk through diversification of its portfolio in accordance with the limits set in the Investment Policy Statement.

### Sensitivity

The table below demonstrates the impact on profit after tax and equity of movements in the price of equities. The analysis is based on the assumption that the indexes had increased or decreased 10% with all other variables held constant and all the related instruments moved according to the historical correlation with the index. This analysis represents one scenario from a number of possible scenarios, all of which carry significant uncertainty.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

	2020 \$'000	2019 \$'000
Impact on profit and equity of a 10% increase in equity prices:		
Australian equities	12,911	17,758
International equities	33,685	38,458
Impact on profit and equity of a 10% decrease in equity prices:		
Australian equities	(12,911)	(17,758)
International equities	(33,685)	(38,458)

### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates. Where MAIB holds assets denominated in currencies other than the Australian dollar (the functional currency) it is exposed to foreign currency risk as the value of those assets will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

MAIB's investment exposure to international markets is achieved by investing in unit trusts, domiciled in Australia or overseas. The foreign currency risk disclosures have been prepared on the basis of MAIB's direct investment in those trusts and not on a look-through basis. The impact of currency movement within the trusts is dealt with as a component of price risk. Consequently the disclosure of currency risk may not represent the true currency risk profile of MAIB.

The following table shows MAIB's direct exposure to foreign currency risk.

	2020 \$'000	2019 \$'000
United States Dollar	259,174	108,125

### Sensitivity

The foreign currency risk sensitivity analysis is conducted on foreign currency denominated investments and adjusts their translation at period end for a change in foreign currency rates. The following table details MAIB's sensitivity to a 10% increase and decrease in the value of the Australian Dollar against the foreign currencies.

	2020 \$'000	2019 \$'000
Impact on profit and equity of a 10% increase in value of the Australian Dollar	(16,493)	(6,881)
Impact on profit and equity of a 10% decrease in value of the Australian Dollar	20,158	8,410

### (iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. MAIB's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position. Interest rate risk affects the fair value of fixed rate instruments and the cash flows of floating rate instruments.

MAIB manages a portion of the interest rate risk on its outstanding claims liability by establishing a partial economic hedge in its investment strategy. To the extent the investment assets and claims liabilities are matched, unrealised gains and losses on re-measurement of liabilities resulting from movements in interest rates will be broadly offset by unrealised losses or gains on the re-measurement of these investment assets.

MAIB's exposure to interest rate risk in 2019-20 is primarily through its unit trust investments. In 2018-19, MAIB was also exposed to interest rate risk in relation to its direct investments in Australian Government bonds, cash investments and repurchase agreements. The following tables set out the interest rate risk exposure based on MAIB's direct investments and not on a look-through basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

The following table summarises the interest rate risk exposure of all financial instruments.

	Fixed Interest Maturity dates				Non-interest bearing \$'000	Total \$'000
	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
<b>30 June 2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	4,908	-	-	-	-	4,908
Cash funds	-	-	-	-	88,555	88,555
Australian Government bonds funds	-	-	-	-	436,940	436,940
Fixed income funds	-	-	-	-	97,979	97,979
Australian equities funds	-	-	-	-	184,441	184,441
International equities funds	-	-	-	-	481,212	481,212
Diversifying alternatives funds	-	-	-	-	163,805	163,805
Property funds	-	-	-	-	242,780	242,780
Infrastructure funds	-	-	-	-	99,365	99,365
Outstanding settlements receivable	-	-	-	-	770	770
Receivables	-	-	-	-	21,643	21,643
<b>Total financial assets</b>	<b>4,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,817,490</b>	<b>1,822,398</b>
<b>Financial liabilities</b>						
Payables	-	-	-	-	2,271	2,271
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,271</b>	<b>2,271</b>
<b>Net financial assets/(liabilities)</b>	<b>4,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,815,219</b>	<b>1,820,127</b>
<b>30 June 2019</b>						
<b>Financial assets</b>						
Cash and cash equivalents	8,159	5,002	-	-	-	13,161
Cash investments	-	307,331	-	-	-	307,331
Australian Government bonds	108,771	-	208,089	118,995	-	435,855
Fixed income funds	-	-	-	-	125,943	125,943
Australian equities funds	-	-	-	-	253,691	253,691
International equities funds	-	-	-	-	549,393	549,393
Property funds	-	-	-	-	254,609	254,609
Infrastructure funds	-	-	-	-	104,933	104,933
Other financial assets	389	-	-	-	-	389
Outstanding settlements receivable	-	-	-	-	23,231	23,231
Receivables	-	-	-	-	28,438	28,438
<b>Total financial assets</b>	<b>117,319</b>	<b>312,333</b>	<b>208,089</b>	<b>118,995</b>	<b>1,340,238</b>	<b>2,096,974</b>
<b>Financial liabilities</b>						
Repurchase agreements payable	-	217,792	-	-	-	217,792
Outstanding settlements payable	-	-	-	-	10,956	10,956
Other financial instruments	4,456	7,816	-	-	-	12,272
Payables	-	-	-	-	2,087	2,087
<b>Total financial liabilities</b>	<b>4,456</b>	<b>225,608</b>	<b>-</b>	<b>-</b>	<b>13,043</b>	<b>243,107</b>
<b>Net financial assets/(liabilities)</b>	<b>112,863</b>	<b>86,725</b>	<b>208,089</b>	<b>118,995</b>	<b>1,327,195</b>	<b>1,853,867</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

### Sensitivity

The following table details MAIB's sensitivity to a 50 basis point increase and decrease in interest rates from those at year end with all other variables held constant.

	2020 \$'000	2019 \$'000
Impact on profit and equity of an increase in interest rates of 50 basis points	(25)	(9,338)
Impact on profit and equity of a decrease in interest rates of 50 basis points	25	9,402

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. MAIB is exposed to credit risk on:

- investments;
- cash and cash equivalents;
- recoveries receivable; and
- trade and other receivables.

Credit risk on investments is managed by MAIB in accordance with its Investment Policy Statement. MAIB, in conjunction with its investment consultant, reviews the:

- credit risk management framework of its investment managers; and
- nature of the underlying securities held by the investment managers and the resulting credit risk profiles.

The level of investment with any one counterparty is assessed based on the market value of the investment.

MAIB's policy is to place reinsurance with businesses with a minimum Standard and Poor's credit rating of "A". A broker is engaged to facilitate the placement of reinsurance cover. The credit quality of current and past reinsurance counterparties is monitored on an ongoing basis.

The majority of trade and other receivables comprises premiums collected on behalf of MAIB by the Department of State Growth. Premiums collected are transferred to MAIB within two business days.

Financial assets and liabilities are recorded in the statement of financial position at the amount which represents the maximum exposure to credit risk at the reporting date. MAIB has no significant credit risk exposures to any single counterparty or group of counterparties with similar characteristics.

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings or to historical information about counterparty default rates.

MAIB's credit risk exposure is shown in the following table.

	2020		2019	
	Investment grade <sup>1</sup> \$'000	Non investment grade <sup>1</sup> \$'000	Investment grade <sup>1</sup> \$'000	Non investment grade <sup>1</sup> \$'000
<b>Financial assets</b>				
Cash and cash equivalents	4,908	-	13,161	-
Cash investments	-	-	215,718	-
Australian Government bonds	-	-	435,855	-
Receivables	17,120	4,523	23,891	4,547
	22,028	4,523	688,625	4,547

<sup>1</sup> Assets with Standard and Poor's credit ratings of AAA to BBB- are classified as investment grade. Assets falling outside this range, as well as non-rated assets, are classified as non-investment grade.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

### (c) Liquidity risk

Liquidity risk is the risk that MAIB will not be able to meet its financial obligations as they fall due. MAIB's approach to managing liquidity is to have sufficient liquidity to meet its liabilities when due, during both normal and abnormal trading conditions, without incurring unacceptable losses or damaging its reputation. Before payment of dividends and tax, MAIB is cash flow positive in relation to its operating activities with annual premium and investment cash inflows exceeding claims and administrative payments.

Liquidity risk is managed in accordance with the Cash Management and Rebalancing Policy under which:

- Short-term liquidity requirements are monitored on a daily basis with excesses/(shortfalls) in the trading account deposited/(withdrawn) from the at-call cash account.
- Medium/long-term liquidity requirements are assessed at least monthly and sufficient liquidity is retained within the investment portfolio to meet known future financial obligations as they fall due. This approach also provides access at very short notice to substantial amounts of cash in the unlikely event of an unforeseen obligation.

### Maturities of financial instruments

The following tables analyse the financial liabilities by maturity dates based on the remaining period at the reporting date to the contractual maturity date

	Less than 3 months \$'000	3-12 months \$'000	1+ years \$'000	Total \$'000
<b>30 June 2020</b>				
<b>Financial liabilities</b>				
Payables	2,271	-	-	2,271
	<u>2,271</u>	<u>-</u>	<u>-</u>	<u>2,271</u>
<b>30 June 2019</b>				
<b>Financial liabilities</b>				
Repurchase agreements payable	217,792	-	-	217,792
Outstanding settlements payable	10,956	-	-	10,956
Other financial instruments	11,389	-	883	12,272
Payables	2,087	-	-	2,087
	<u>242,224</u>	<u>-</u>	<u>883</u>	<u>243,107</u>

### (d) Transfer of financial assets - repurchase agreements

During the year, MAIB exited its directly held Australian Government bond mandate which incorporated the use of repurchase agreements. No repurchase agreements were in place at 30 June 2020. Hence, the following disclosure is in relation to the comparative period only.

During 2018-19 MAIB transferred \$226 million of securities to counterparties under repurchase agreements, but retained substantially all the credit risk associated with the transferred assets.

Due to the retention of substantially all the risks and rewards of these assets, the assets were recognised in the financial statements, and the obligations to repurchase reported as liabilities and carried at amortised cost. The counterparties have an obligation to return the securities to MAIB.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 11 Financial instruments *Continued*

The following table sets out carrying amounts and fair values of financial assets transferred through repurchase agreements and the related liability at the reporting date.

	2020 \$'000	2019 \$'000
Carrying amount of transferred Australian Government Bonds	-	225,899
Carrying amount of repurchase agreement liabilities	-	(217,792)
Net position	-	8,107

### (e) Capital management

While MAIB is not subject to any externally imposed capital requirements, for the purposes of good governance and sound commercial practice, in conjunction with its external actuary, it has developed a Capital Adequacy Policy suitable for a government monopoly insurer in a compulsory sector.

The capital position is measured by reference to the funding ratio (representing the ratio of insurance assets to net claims liabilities). A target range of 120% to 145% has been established by the Board of Directors following consultation with its actuary and takes account of the liability profile and an assessment of the investment risk profile. At 30 June 2020 the funding ratio is 126.0% (2019: 130.5%).

The capital position is integral to the annual corporate planning process and the annual review and setting of strategic asset allocation benchmarks. The actual and forecast funding ratios are monitored monthly.

## 12 Receivables

Premiums receivable and other receivables are recognised at amortised cost less expected credit losses. Third party recoveries are assessed in a manner similar to the measurement of the outstanding claims liability, and assume that the recoveries are made in the same proportions over time as the gross claim payments.

Reinsurance recoveries primarily arise from incidents involving daily care claims and are assessed by MAIB's reinsurance broker at least annually, based on the most recent medical advice. A receivable is recorded where the actual or estimated cost of claims exceeds the reinsurance deductible. The recoverable amount is measured as the present value of the expected future cash flows less expected credit losses.

	2020 \$'000	2019 \$'000
Premiums receivable	2,088	1,682
Reinsurance recoveries receivable	15,032	22,208
Other recoveries receivable	4,497	4,527
Other receivables	26	21
	21,643	28,438
Due within 12 months	11,917	8,721
Due in more than 12 months	9,726	19,717
	21,643	28,438

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 13 Unearned premiums

Unearned premiums represent the portion of premiums written which relate to periods of insurance subsequent to balance date.

	2020 \$'000	2019 \$'000
Balance at 1 July	60,560	58,857
Earning of premiums written in previous periods	(60,560)	(58,857)
Premiums written in current period	143,979	140,057
Earning of premiums written in current period	(80,184)	(79,497)
Balance at 30 June	63,795	60,560

## 14 Outstanding claims

The outstanding claims liability comprises the estimated costs of settling claims incurred but not yet paid, claims incurred but not reported, the anticipated direct claims handling expenses of settling those claims, and a risk margin.

This liability is calculated as the present value of the expected future payments against claims incurred, reflecting the fact that claims do not have to be paid out immediately. Expected future payments are calculated based on the ultimate cost of settling claims, which includes the anticipated effects of claims development, inflation, and other factors. Expected future payments are then discounted to a present value at balance date using market determined risk free interest rates.

Claims handling expenses include those indirect costs of managing claims which are unable to be attributed to individual claims, including administration expenses and other costs of administering the scheme.

A risk margin is added to the total of the net central estimate of the discounted future claim payments plus the estimated claims handling expenses. The addition of the risk margin recognises the inherent uncertainties contained within the actuarial valuation and at 30 June 2020 provides a probability not less than 75% (2019: not less than 75%) that the liability is sufficient to meet the cost of claims incurred. The 75% threshold represents the minimum probability of adequacy required for Australian licensed insurers by the Australian Prudential Regulation Authority.

The allowances for claims handling expenses and the risk margin have been determined for the scheme as a whole. For reporting purposes they have been applied uniformly to each benefit type.

All reasonable steps are taken to obtain appropriate information regarding claims exposure. However, given the uncertainty in establishing the outstanding claims liability, it is likely that the final outcome may prove to be different from the original liability established.

### Risks arising from insurance contracts

The main insurance risks for MAIB include claims and rehabilitation management, controlling costs, and collection of appropriate premium revenue.

Key aspects of the processes to mitigate insurance risks include, but are not limited to:

- A comprehensive database of accident data is maintained which facilitates the provision of a wide range of up-to-date information.
- An independent actuary is engaged to value the claim liabilities, assess premium requirements annually, assess capital adequacy requirements, annually review the financial condition of MAIB, and monitor and report on trends in costs.
- As the Tasmanian Government monopoly compulsory third party insurer, MAIB is subject to a periodic review of its operations by the Tasmanian Economic Regulator. The Regulator's role is to recommend maximum premiums to be charged for the ensuing four years.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## 14 Outstanding claims *Continued*

### Terms and conditions of insurance business

The terms and conditions of the accident compensation scheme administered by MAIB are established under the *Motor Accidents (Liabilities and Compensation) Act 1973*.

### Concentration of insurance risk

MAIB operates the Tasmanian compulsory third party insurance scheme with the exposure to insurance risk concentrated in motor accidents. Catastrophic motor accidents represent a significant risk, with the financial exposure being limited by taking out appropriate reinsurance cover. The retention and limits are approved by the Board of Directors and reinsurance treaties are re-negotiated annually via a broker. Only firms that have at least a Standard and Poor's 'A' rating are considered when selecting reinsurers.

### Valuation

The outstanding claims liability is actuarially assessed in three broad categories: scheduled benefits, common law and future care. The valuation methodologies are based on those that are best suited to the characteristics of the benefits being valued and are calculated gross of all recoveries.

### Scheduled benefits

Scheduled benefits exhibit high initial payments for most claims with some claims receiving ongoing payments over many years. The actuarial analysis of these costs is undertaken utilising the Payments Per Claim Incurred (PPCI) method.

### Common law

Common law projections take into account the following:

- the ultimate number of common law claims;
- the rate at which common law claims are settled;
- the average damages costs at settlement; and
- the level of other common law costs (primarily legal and other investigation costs).

Damages payments are modelled using the Payments Per Claims Finalised (PPCF) method. Other common law costs are calculated using the Chain Ladder Method.

### Future care

Future care liabilities are assessed on an individual claim basis. Each component of future care costs for individuals identified as requiring daily care is reviewed. This assessment examines the details surrounding the claim, medical reports, and care requirements, with a view to determining the likely future needs and ongoing cost.

The estimated liabilities are based on an individual valuation model that converts these assessments into cash flows for each claimant. Forecasts of cash flows are based on allowance for steps up and down in care needs, future claims inflation, and mortality of the claimant. Medical advice is often sought if it is thought that a claimant's injuries may affect his or her life expectancy.

Allowance for claims IBNR for each of the above categories is based on assumed numbers of incurred claims multiplied by an average claim size.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 14 Outstanding claims *Continued*

### (a) Actuarial assumptions and methods

The following assumptions have been made in determining the outstanding claims liability.

	2020			2019		
	Scheduled benefits	Common law	Future care	Scheduled benefits	Common law	Future care
Inflated mean term (years)	7.0	4.0	30.2	7.1	4.0	31.2
Discounted mean term (years)	5.6	3.9	21.9	5.7	3.8	21.9
Number of claims incurred but not reported	413	318	17	462	319	15
Average claim size (\$ '000)	13.5	172.2	7,910.8	13.3	173.5	7,153.6
Superimposed inflation	1.0%	1.5%	0.0%	1.5%	1.5%	0.0%
Claims handling expenses	8.0%	8.0%	8.0%	7.0%	7.0%	7.0%
Risk margin	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

	2020		2019	
	Wage inflation rates <sup>1</sup>	Interest rates <sup>2</sup>	Wage inflation rates <sup>3</sup>	Interest rates <sup>4</sup>
<b>Claims expected to be paid in:</b>				
Year 1 (following end of financial year)	1.18%	0.21%	2.29%	1.02%
Year 2	1.58%	0.27%	2.71%	0.91%
Year 3	1.84%	0.40%	2.65%	0.92%
Year 4	2.45%	0.57%	2.46%	1.10%
Year 5	2.63%	0.78%	2.42%	1.33%
Year 6	2.64%	0.98%	2.47%	1.50%
Year 7	2.63%	1.17%	2.47%	1.58%
Year 8	2.64%	1.36%	2.45%	1.66%
Year 9	2.67%	1.54%	2.41%	1.74%
Year 10	2.71%	1.71%	2.39%	1.82%
Year 11	2.76%	1.88%	2.37%	1.90%
Year 12	2.82%	2.04%	2.36%	1.97%
Year 13	2.87%	2.19%	2.37%	2.05%
Year 14	2.92%	2.33%	2.39%	2.13%
Year 15	2.96%	2.47%	2.41%	2.21%
Year 16	3.01%	2.61%	2.44%	2.29%
Year 17	3.06%	2.75%	2.48%	2.37%
Year 18	3.10%	2.87%	2.52%	2.45%
Year 19	3.14%	2.97%	2.56%	2.52%
Year 20	3.18%	3.07%	2.60%	2.60%
Year 21	3.21%	3.16%	2.64%	2.68%
Year 22	3.22%	3.21%	2.68%	2.76%
Year 23	3.23%	3.23%	2.72%	2.84%
Year 24	3.23%	3.24%	2.76%	2.92%
Year 25	3.23%	3.24%	2.80%	3.00%

<sup>1</sup> projected inflation rates after year 25 increase annually by 0.011% until they reach 3.5% in year 50.

<sup>2</sup> projected interest rates after year 25 increase annually by 0.03% until they reach 4.0% in year 50.

<sup>3</sup> projected inflation rates after year 25 increase annually by 0.04% until they reach 3.8% in year 50.

<sup>4</sup> projected interest rates after year 25 increase annually by 0.08% until they reach 5.0% in year 50.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## 14 Outstanding claims *Continued*

### Inflated mean term

The inflated mean term represents the dollar weighted average period to payment of claims and is unaffected by discounting. It provides an indication of the timeframe over which MAIB must manage and control the cost of these claims.

### Discounted mean term

The discounted mean term is based on the inflated and discounted cash flows weighted by the period to payment.

### Number of claims incurred but not reported

The number of incurred but not reported (IBNR) claims is estimated by projecting the number of claims to be reported after the balance date arising from incidents prior to that date. This projection is based on analysis of historical reporting patterns.

### Average claim size

The average claim size is shown in current dollars on estimated incurred claim numbers (reported claims plus IBNR claims).

### Inflation

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to current economic indicators.

### Superimposed inflation

Superimposed inflation describes the growth in claims costs that is not explained by wage inflation, for example, increases in court settlements.

### Claims handling expenses

Claims handling expenses represent the future cost of managing the claims outstanding at balance date and are calculated by reference to past experience of claims handling costs as a percentage of past payments. Claims handling expenses at 30 June 2020 are included at the rate of 8.0% of future claim payments (2019: 7.0%).

### Risk margin

Estimates of claim payments contain a considerable degree of uncertainty owing to:

- random fluctuations occurring in the future claims experience;
- future fundamental changes to the underlying claims experience; and
- imperfect analysis and modelling of the claims experience.

Given the long tail nature of the scheme, a risk margin is added to the actuarially assessed central estimate of the discounted future claims payments, and claims handling expenses, to provide for a higher probability at balance date, that the outstanding claims liability will be adequate to cover possible adverse developments arising from those areas of uncertainty.

Each benefit type (scheduled benefits, common law and future care) is analysed taking into consideration the potential areas of uncertainty described above. The assumptions regarding uncertainty are applied to the central estimates in order to arrive at a total liability that provides for a probability of not less than 75% that the liability is sufficient to meet the actual cost of claims. This resulted in the application of a 20% risk margin at 30 June 2020 (2019: 20%).

### Interest rates

Interest rates are based on market yields available on Commonwealth Government securities, which approximate risk free interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 14 Outstanding claims *Continued*

### (b) Sensitivity analysis

The valuation of the outstanding claims liability may be subject to substantial influence by factors external to MAIB, particularly by movements in the economic assumptions (interest and inflation rates) and changes in claims experience. These external factors can cause significant variations in the value of the outstanding claims liability from year to year.

Sensitivity analyses are undertaken to quantify the exposure to risk of changes in the key valuation variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed in section (a) above. The movement in any key variable will impact MAIB's performance and equity.

The outstanding claims liability is inherently uncertain, for the following reasons:

- (a) Models used to estimate future claims payments represent a simplification of a complex claims process.
- (b) Even if a model were a perfect representation of the nature of the underlying claims process, past random fluctuations in the claims experience mean that uncertainty arises from estimating the parameters of the model.
- (c) Any shortcomings of and/or errors in the data available increase uncertainty regarding the estimated parameters of the model.
- (d) Even if the true underlying parameters could be determined precisely for a perfect model, the resulting liability would still be uncertain because of:
  - (i) random fluctuations in the future claim experience; and
  - (ii) the possibility of future systemic, i.e. non-random, changes in the claims experience.

For some portfolios, the extent of uncertainty attributable to the sources described in points (b) and (d)(i) above can be estimated using statistical techniques. However, uncertainty attributable to the general sources described in points (a), (c) and (d)(ii) is much more difficult to quantify.

The following table describes how a change in some of the key valuation assumptions affects the outstanding claims liability.

Variable	Impact of movement in variable
Inflated and discounted mean terms	A decrease in the average mean term to settlement would lead to claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. During periods when assumed interest rates are higher than assumed inflation rates, an increase or decrease in the discounted mean term would have an opposing effect on the outstanding claims liability.
Number of claims incurred but not reported	An increase or decrease in the assumed number of IBNR claims would have a corresponding impact on the outstanding claims liability.
Average claim size	An increase or decrease in the average claim size would have a corresponding impact on the outstanding claims liability.
Wage inflation and superimposed inflation	Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of either wage inflation or superimposed inflation would have a corresponding impact on the outstanding claims liability.
Claims handling expenses	An increase or decrease in the expected claims handling expenses will have a corresponding impact on the outstanding claims liability.
Risk margin	An increase or decrease in the risk margin will have a corresponding impact on the outstanding claims liability.
Interest rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted at prevailing rates of interest to adjust for the time value of money. An increase or decrease in the assumed interest rate will have an opposing impact on the outstanding claims liability.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 14 Outstanding claims *Continued*

The following tables illustrate the sensitivity of profit/(loss) and equity to changes in some of the key valuation assumptions described above. Note that the tables are illustrative only, and it is not intended they cover the range of potential variations.

	Impact \$'000	Profit/(loss) after tax \$'000	Equity \$'000
<b>Recognised amounts as per the 2020 financial report</b>		8,058	469,504
Inflation rate increased by 50 basis points	(79,269)	(71,211)	390,235
Inflation rate decreased by 50 basis points	68,755	76,813	538,259
Interest rate increased by 50 basis points	68,909	76,967	538,413
Interest rate decreased by 50 basis points	(80,266)	(72,208)	389,238
Cost of current year Future Care IBNR claims increased by 10%	(12,380)	(4,322)	457,124
Cost of current year Future Care IBNR claims decreased by 10%	12,380	20,438	481,884
Common Law settlement size increased by 10%	(21,616)	(13,558)	447,888
Common Law settlement size decreased by 10%	21,616	29,674	491,120
Scheduled Benefits average size increased by 10%	(4,785)	3,273	464,719
Scheduled Benefits average size decreased by 10%	4,785	12,843	474,289
<b>Recognised amounts as per the 2019 financial report</b>		30,160	553,507
Inflation rate increased by 50 basis points	(74,799)	(44,639)	478,708
Inflation rate decreased by 50 basis points	64,849	95,009	618,356
Interest rate increased by 50 basis points	64,837	94,997	618,344
Interest rate decreased by 50 basis points	(75,519)	(45,359)	477,988
Cost of current year Future Care IBNR claims increased by 10%	(9,344)	20,816	544,163
Cost of current year Future Care IBNR claims decreased by 10%	9,344	39,504	562,851
Common Law settlement size increased by 10%	(21,648)	8,512	531,859
Common Law settlement size decreased by 10%	21,648	51,808	575,155
Scheduled Benefits average size increased by 10%	(4,769)	25,391	548,738
Scheduled Benefits average size decreased by 10%	4,769	34,929	558,276

### (c) Maturity analysis

The following table presents a maturity analysis of the outstanding claims liability based on the remaining term to payment at the reporting date.

	Less than 12 months \$'000	12 months to 10 years \$'000	11 years to 20 years \$'000	20+ years \$'000	Total \$'000
<b>30 June 2020</b>					
Outstanding claims liability	97,025	480,197	262,628	455,178	1,295,028
	97,025	480,197	262,628	455,178	1,295,028
<b>30 June 2019</b>					
Outstanding claims liability	97,483	466,900	240,976	430,700	1,236,059
	97,483	466,900	240,976	430,700	1,236,059

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 14 Outstanding claims *Continued*

### (d) Outstanding claims liability by benefit type

In recognition of the three benefit type streams, the outstanding claims liability is calculated under the categories of scheduled benefits, common law, and future care claims. The reconciliation between the undiscounted and discounted outstanding claims liability is shown in the following table.

	2020 \$'000	2019 \$'000
<b>Scheduled benefits claims</b>		
Expected future claims payments (inflated/undiscounted)	61,678	63,298
Discount to present value	(5,019)	(6,222)
Claims handling expenses	4,797	4,225
Risk margin	11,392	11,355
	<b>72,848</b>	<b>72,656</b>
<b>Common law claims</b>		
Expected future claims payments (inflated/undiscounted)	243,162	250,963
Discount to present value	(6,065)	(11,156)
Claims handling expenses	20,234	17,910
Risk margin	51,466	51,543
	<b>308,797</b>	<b>309,260</b>
<b>Future care claims</b>		
Expected future claims payments (inflated/undiscounted)	1,253,590	1,254,387
Discount to present value	(551,092)	(589,483)
Claims handling expenses	61,160	50,583
Risk margin	149,725	138,656
	<b>913,383</b>	<b>854,143</b>
<b>All claims</b>		
Expected future claims payments (inflated/undiscounted)	1,558,430	1,568,648
Discount to present value	(562,176)	(606,861)
Claims handling expenses	86,191	72,718
Risk margin	212,583	201,554
	<b>1,295,028</b>	<b>1,236,059</b>
Due within 12 months	97,025	97,483
Due in more than 12 months	1,198,003	1,138,576
	<b>1,295,028</b>	<b>1,236,059</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 14 Outstanding claims *Continued*

### (e) Reconciliation of movement in outstanding claims liability

	2020			2019		
	Gross \$'000	Recoveries \$'000	Net \$'000	Gross \$'000	Recoveries \$'000	Net \$'000
Balance at 1 July	1,236,059	26,735	1,209,324	1,069,167	31,072	1,038,095
Adjustment to prior years						
Effect of actual versus expected payments	(11,145)	5,686	(16,831)	(5,998)	6,065	(12,063)
Effect of changes in actuarial assumptions	(57,609)	(3,485)	(54,124)	(6,346)	1,216	(7,562)
Effect of changes in economic assumptions	61,693	366	61,327	100,644	982	99,662
Effect of prior year claims moving closer to payment	(8,875)	(658)	(8,217)	1,196	(478)	1,674
Net revision to prior years' claims costs	(15,936)	1,909	(17,845)	89,496	7,785	81,711
Incurred claims for the current accident year	154,774	2,739	152,035	157,634	2,863	154,771
Net claims incurred	138,838	4,648	134,190	247,130	10,648	236,482
Claims payments and recoveries during the year	(79,869)	(11,854)	(68,015)	(80,238)	(14,985)	(65,253)
Balance at 30 June	1,295,028	19,529	1,275,499	1,236,059	26,735	1,209,324

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 14 Outstanding claims *Continued*

### (f) Claims development table

The following tables show the development of undiscounted outstanding claims gross and net of reinsurance recoveries relative to the ultimate expected claims for the ten most recent accident years.

	Accident year										Total \$'000
	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	
<b>Gross of reinsurance recoveries</b>											
<b>Estimate of ultimate claims cost:</b>											
End of accident year	201,081	218,081	249,933	240,801	208,032	156,465	183,794	200,655	167,538	158,780	
One year later	111,109	221,189	210,096	162,877	113,989	150,202	163,990	219,870	157,701		
Two years later	116,768	106,355	158,319	103,068	127,180	102,191	153,349	173,063			
Three years later	146,081	176,931	124,051	95,409	126,365	94,957	120,133				
Four years later	79,949	155,313	127,994	66,926	104,579	100,589					
Five years later	88,659	169,775	119,914	63,008	106,458						
Six years later	84,427	122,085	126,312	65,167							
Seven years later	82,321	115,278	134,975								
Eight years later	81,307	124,163									
Nine years later	81,991										
Current estimate of cumulative claims cost	81,991	124,163	134,975	65,167	106,458	100,589	120,133	173,063	157,701	158,780	1,223,020
Cumulative payments	(61,298)	(56,709)	(62,239)	(46,439)	(50,912)	(46,035)	(41,165)	(34,829)	(27,925)	(14,018)	(441,569)
Outstanding claims (undiscounted)	20,693	67,454	72,736	18,728	55,546	54,554	78,968	138,234	129,776	144,762	781,451
Discount											(240,473)
2010 and prior (discounted)											455,276
Claims handling expense											86,190
Risk margins											212,584
Outstanding claims (inflated & discounted)											1,295,028



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 14 Outstanding claims *Continued*

	Accident year										Total \$'000
	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	
<b>Net of reinsurance recoveries</b>											
<b>Estimate of ultimate claims cost:</b>											
End of accident year	201,081	218,081	249,933	240,801	208,032	156,465	181,328	198,001	164,396	155,847	
One year later	111,109	221,189	210,096	162,877	113,989	149,783	162,009	216,047	155,212		
Two years later	116,768	106,355	158,319	103,068	126,850	101,844	151,248	168,582			
Three years later	146,081	176,931	123,887	95,208	126,069	94,634	119,658				
Four years later	79,949	155,313	127,810	66,774	104,290	100,372					
Five years later	88,659	169,644	119,797	62,846	106,203						
Six years later	84,333	121,970	126,176	65,041							
Seven years later	82,235	115,165	134,868								
Eight years later	81,226	124,071									
Nine years later	81,949										
Current estimate of cumulative claims cost	81,949	124,071	134,868	65,041	106,203	100,372	119,658	168,582	155,212	155,847	1,211,803
Cumulative payments	(61,298)	(56,709)	(62,239)	(46,439)	(50,912)	(46,035)	(41,165)	(34,829)	(27,925)	(14,018)	(441,569)
Outstanding claims (undiscounted)	20,651	67,362	72,629	18,602	55,291	54,337	78,493	133,753	127,287	141,829	770,234
Discount											(239,609)
2010 and prior (discounted)											446,100
Claims handling expense											86,190
Risk margins											212,584
Outstanding claims (inflated & discounted)											<u>1,275,499</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 15 Unexpired risk

At each reporting date the unearned premium liability is actuarially assessed to determine if it is sufficient to cover all expected cash flows relating to future claims against current insurance contracts. This assessment is referred to as the liability adequacy test. If the present value of the expected net of reinsurance cash outflows relating to future claims plus claims handling expenses and a risk margin exceeds the unearned premium liability less deferred acquisition costs, then the unearned premium liability is deemed to be deficient. This deficiency is initially accounted for by a write-down in deferred acquisition costs, with any remaining deficiency recognised as an unexpired risk liability.

The movement in the deficiency net of reinsurance is recognised in the statement of comprehensive income.

The application of the liability adequacy test in respect of the unearned premium liability at 30 June is presented below.

	2020 \$'000	2019 \$'000
<b>(a) Unexpired risk liability</b>		
Net central estimate	54,322	53,296
Claims handling expenses	4,672	4,008
Risk margin	11,581	11,247
Reinsurance recoveries	(1,088)	(1,068)
Premium liability	69,487	67,483
Unearned premiums net of deferred acquisition costs	62,478	59,258
Deficiency	7,009	8,225
Less deferred acquisition costs	(1,316)	(1,302)
Unexpired risk liability	5,693	6,923
<b>(b) Deficiency recognised in the statement of comprehensive income</b>		
Deficiency 1 July	8,225	2,795
Deficiency 30 June	7,009	8,225
Unexpired risk expense	(1,216)	5,430

### Claims handling expenses

Claims handling expenses as at 30 June 2020 are included at the rate of 8.0% (2019: 7.0%).

### Risk margin

As at 30 June 2020 a risk margin of 20% (2019: 20%) of the net central estimate of the present value of expected future cash flows arising from future claims plus claims handling expenses has been added. The 20% risk margin provides a probability of not less than 75% (2019: not less than 75%) that the liability is sufficient to meet the cost of claims incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 16 Provision for employee benefits

### Annual leave, long service leave and sick leave

Provisions for annual leave and long service leave owing at balance date which are expected to be wholly settled within 12 months are reported at their nominal values using the remuneration rates expected to apply at the time of settlement. It is expected that all annual leave owing at balance date will be taken within the next twelve months.

In calculating the provision for long service leave, consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Provision for long service leave not expected to be settled within 12 months is measured as the present value of the estimated future cash outflows, in respect of services provided by employees up to the reporting date. Discounting is applied at the appropriate corporate bond rate.

No provision for sick leave is raised. All sick leave is expensed in the statement of comprehensive income at nominal values when taken.

### Superannuation

The Retirement Benefits Fund defined benefits scheme covers eligible employees who commenced prior to 15 May 1999. The defined benefits scheme was closed to new members from that date.

The benefit is calculated as a function of the members' salaries, level of contributions, and length of service.

Each year, at the reporting date, the State Actuary conducts a valuation of the past service and accrued liabilities within the defined benefits scheme. Any shortfall between the defined benefit obligation and the fair value of assets relevant to those members determines the value of any unfunded superannuation liability, and is shown as a liability in the statement of financial position. Actuarial gains and losses are recognised in the statement of comprehensive income through other comprehensive income.

For all employees who are not members of the defined benefits scheme, the MAIB contributes at least the minimum level of superannuation required by the Commonwealth *Superannuation Guarantee (Administration) Act 1992*. Contributions are made to nominated accumulation schemes and are expensed when they fall due.

	2020 \$'000	2019 \$'000
<b>Due within 12 months</b>		
Annual leave	393	301
Long service leave	34	33
Defined benefit superannuation obligation	21	37
	448	371
<b>Due in more than 12 months</b>		
Long service leave	429	374
Defined benefit superannuation obligation	8,053	8,515
	8,482	8,889
Total employee benefits	8,930	9,260

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 17 Statement of cash flows

Cash and cash equivalents reported in the statement of financial position and statement of cash flows includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalent investments are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

### (a) Reconciliation of net cash provided by operating activities to profit/(loss) after tax

	2020 \$'000	2019 \$'000
Profit/(loss) after tax	8,058	30,160
Depreciation and amortisation	493	446
Loss/(profit) on sale of plant and equipment	(5)	1
Net unrealised loss/(gain) in net market value of investments	38,908	(78,015)
Net realised loss/(gain) in net market value of investments	(8,553)	(12,841)
Decrease/(increase) in accrued dividends and interest	(3,237)	402
Decrease/(increase) in other assets	6,754	4,332
Increase/(decrease) in outstanding claims liability	58,969	166,892
Increase/(decrease) in unexpired risk liability	(1,230)	5,395
Increase/(decrease) in unearned premium liability	3,235	1,704
Increase/(decrease) in tax payable	16,056	(23,033)
Decrease/(increase) in net deferred tax asset/liability	(25,613)	6,746
Increase/(decrease) in other liabilities	919	469
Net cash flow from operating activities	94,754	102,658

### (b) Financing facilities

At 30 June 2020 MAIB has four corporate credit cards (2019: four) with a total limit of \$62,000 (2019: \$50,000). The balance is paid in full on a monthly basis. MAIB has no formal credit standby arrangements or unused loan facilities.

## 18 Auditor's remuneration

The amount payable to the Auditor-General for the year ended 30 June 2020 is \$80,630 (2019: \$91,350).

## 19 Dividends

Dividends are payable annually to the State Government, in accordance with the Guidelines for Tasmanian Businesses-Dividends. Dividends are brought to account in the financial statements in the year in which they are declared. An ordinary dividend of \$41,877,822 was paid in the year ended 30 June 2020 (2019: \$51,426,552).

Special dividends are brought to account in the financial statements in the year in which the dividend receives Parliamentary approval. A special dividend of \$50,000,000 was paid in the year ended 30 June 2020 (2019: nil).

Following the end of the financial year, a final ordinary dividend relating to the year ended 30 June 2020 of \$32,634,304 (2019: \$41,877,822) was recommended by directors to be paid.

## 20 Contingent liabilities

MAIB has no contingent liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 21 Events after the reporting period

There has been no matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of MAIB.

## 22 Key management personnel information

### (a) Directors

The following persons were non-executive directors of MAIB during the financial year:

D Challen AM  
K Cuthbertson  
M Dontschuk  
J Hindmarsh (from 1 February 2020)  
E Horton (to 31 January 2020)  
N Walsh

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of MAIB, directly or indirectly, during the financial year:

P Kingston Chief Executive Officer  
S Tuff Chief Operating Officer  
J Wilson Manager Continuous Improvement  
D Thurm Chief Financial Officer

### (c) Key management personnel compensation

	Directors		Executive		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Short-term employee benefits	262	258	875	785	1,137	1,043
Post employment benefits	24	24	84	82	108	106
Other long-term employee benefits	-	-	28	44	28	44
	286	282	987	911	1,273	1,193

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 22 Key management personnel information *Continued*

### (d) Non-executive director remuneration

The following table discloses the remuneration details for each person that acted as a non-executive director during the financial year.

Name	Position	Period	Director Fees \$'000	Committee Fees \$'000	Super-annuation \$'000	Total \$'000
<b>2020</b>						
D Challen AM	Chairman	Full year	78	7	8	93
K Cuthbertson	Director	Full year	37	7	4	48
M Dontschuk	Director	Full year	37	8	4	49
J Hindmarsh	Director	From 1 Feb 2020	15	3	2	20
E Horton	Director	To 31 Jan 2020	22	4	2	28
N Walsh	Director	Full year	37	7	4	48
			<b>226</b>	<b>36</b>	<b>24</b>	<b>286</b>
<b>2019</b>						
D Challen AM	Chairman	Full year	78	7	8	93
E Collins	Director	To 26 Nov 2018	15	3	2	20
K Cuthbertson	Director	Full year	37	7	4	48
M Dontschuk	Director	Full year	37	8	4	49
E Horton	Director	Full year	37	7	4	48
N Walsh	Director	From 1 Jan 2019	19	3	2	24
			<b>223</b>	<b>35</b>	<b>24</b>	<b>282</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 22 Key management personnel information *Continued*

### (e) Executive remuneration

The following table discloses the remuneration details for those persons who acted as senior executives during the financial year.

Name	Position	Period	Base Salary <sup>1</sup> \$'000	Short Term Incentive Payments <sup>2</sup> \$'000	Super-annuation <sup>3</sup> \$'000	Vehicle <sup>4</sup> \$'000	Total Remuneration Package \$'000	Other Long-Term Benefits <sup>5</sup> \$'000	Total <sup>6</sup> \$'000
<b>2020</b>									
P Kingston	CEO	Full year	280	-	28	17	325	26	351
S Tuff	COO	Full year	188	-	18	3	209	13	222
J Wilson	MCI	Full year	154	-	17	4	175	5	180
D Thurm	CFO	Full year	192	-	21	4	217	17	234
			814	-	84	28	926	61	987
<b>2019</b>									
P Kingston	CEO	Full year	277	-	29	19	325	27	352
S Tuff	COO	From 24 Sep 18	138	-	13	2	153	9	162
J Wilson	COO/MCI	Full year	156	-	20	3	179	(6)	173
D Thurm	CFO	Full year	187	-	20	3	210	14	224
			758	-	82	27	867	44	911

<sup>1</sup> Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

<sup>2</sup> Short term incentive payments are non-recurrent payments that are dependent upon achieving specified performance goals within specified timeframes. Senior executive contracts do not contain provision for short term incentive payments.

<sup>3</sup> Superannuation means the contribution to the superannuation fund of the individual. Where an individual is a member of a defined benefit scheme the superannuation benefit for the defined benefit component is a notional cost calculated as the base salary multiplied by 11%.

<sup>4</sup> Vehicle costs represent the cost of the private use component of vehicles provided to executives as part of their remuneration package.

<sup>5</sup> Other long-term benefits comprise only annual leave and long service leave movements.

<sup>6</sup> Total includes all forms of remuneration and benefits paid or payable. No other benefits or non-monetary benefits are paid or provided.

### (f) Remuneration policies

#### Non-executive director remuneration

Non-executive directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed.

Non-executive directors' remuneration is administered by the Department of Premier and Cabinet. Remuneration levels are reviewed periodically, with increases subject to approval by the Treasurer and Portfolio Minister.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation.

No other leave, termination or retirement benefits are accrued or paid to directors.

Directors are entitled to reimbursement of expenses incurred while attending to MAIB business.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 22 Key management personnel information *Continued*

### Executive remuneration

Remuneration levels for key management personnel are set in accordance with the current Director and Executive Remuneration Guidelines. Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are determined by the Government Business Executive Remuneration Panel, reflect the principles outlined in the Guidelines and broadly align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

The CEO is appointed by the Premier following selection and recommendation by the Board of MAIB. The Board of Directors consults with the Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, motor vehicle and salary sacrifice provisions. In addition to their salaries, MAIB also provides non-cash benefits and contributes to post-employment superannuation plans on their behalf.

The performance of each senior executive, including the CEO, is reviewed annually which includes a review of the remuneration package.

Consistent with the requirements of the *Government Business Enterprises Act 1995*, employment contracts have durations not exceeding five years. Whilst not automatic, contracts can be extended.

### Short Term Incentive Payments

Senior executive contracts do not contain provisions for the payment of short term incentives or bonuses. No short term incentives or bonuses were paid during 2019-20.

### Termination Benefits

No termination benefits were paid during 2019-20.

### Acting Arrangements

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to the key management position during their period of absence. No acting arrangements were in place during 2019-20.

### Other transactions of key management personnel and related parties

For all Tasmanian Government businesses, related parties are considered to include:

- a subsidiary or joint venture;
- key management personnel or close family members of key management personnel;
- Ministers or close family members of Ministers;
- any entities controlled or jointly controlled by key management personnel or their close family members; and
- any entities controlled or jointly controlled by Ministers or their close family members.

Some key management personnel, or their related parties, transacted with MAIB in the reporting period as owners of registered motor vehicles on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel.

There were no material related party transactions requiring disclosure.

## Independent Auditor's Report

### To the Members of Parliament

### Motor Accidents Insurance Board

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of the Motor Accidents Insurance Board (MAIB) which comprises the statement of financial position as at 30 June 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the directors.

In my opinion, the accompanying financial report is in accordance with the *Government Business Enterprises Act 1995*, including:

- (a) giving a true and fair view of MAIB's financial position as at 30 June 2020 and of its financial performance and its cash flows for the year then ended
- (b) complying with Australian Accounting Standards.

#### Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of MAIB in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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I confirm that the independence declaration provided to the directors of MAIB on 13 August 2020 would be in the same terms if provided to the directors at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<b>Significant investments and investment revenue</b> <i>Refer to notes 4 and 10</i>	
<p>MAIB held significant investments, totalling \$1.80bn at 30 June 2020 that backed its insurance liabilities. All investments were held with fund managers who were responsible for achieving agreed performance targets, whilst operating within an established framework.</p> <p>MAIB also earned significant investment revenue of \$24.17m, which included dividends, interest and realised and unrealised gains and losses resulting from the change in the fair value of the investments.</p> <p>MAIB placed significant reliance on the appointed investment managers and custodian in regards to the existence, rights and obligations, and valuation of the investments and disclosures in the financial report.</p> <p>These matters are complex and the nature of the market-to-market valuation of the investments can significantly impact their balances.</p>	<ul style="list-style-type: none"> <li>• Evaluating MAIB's internal control and oversight processes over investment management arrangements with fund managers.</li> <li>• Assessing the scope agreed between MAIB and the fund custodian for reliance on the Independent Service Auditor's Assurance Report, issued in accordance with the Australian Auditing Standard on Assurance Engagements ASAE 3402 <i>Assurance Reports on Controls at a Service Organisation</i> and with reference to Auditing Guidance Statement GS 007 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i>.</li> <li>• Verifying investment revenues to the custodian portfolio reconciliation report.</li> <li>• Obtaining and confirming the custodian valuation report with MAIB's investment balances at balance date, including reliance on the external "specified assertions" audit report obtained by MAIB.</li> </ul>

- Reviewing MAIB’s assessment of internal and external investment compliance reviews.

---

## Outstanding claims liability and claims expense

*Refer to notes 3 and 14*

The estimation of outstanding claims liabilities involves significant judgement given the high degree of uncertainty that is inherent in estimating the expected future payments for claims incurred. In addition, long-tail liability businesses such as MAIB, experience a high level of uncertainty in the estimation for outstanding claims. Inherent subjectivity involved in making judgements in relation to the assumptions applied in the valuation methodology can significantly impact the liability balance and resulting claims expense. This includes assumptions which are susceptible to changed economic conditions such as movements in the Australian Commonwealth Government bond rate, inflation rate and changes in claims experience.

MAIB relied upon external actuarial advice for the valuation of the outstanding claims liability of \$1.30bn.

- Reviewing MAIB’s internal control framework in relation to claim payments, including reliance on the work of MAIB’s internal auditor.
- Verifying expense and liability disclosures to the external actuarial report at 30 June 2020.
- Engaging an independent actuarial expert to assess the appropriateness of MAIB’s actuarial methods and key assumptions to assess the reasonableness of the estimation of the outstanding claims liabilities as at 30 June 2020.
- Assessing the adequacy and completeness of disclosures in the financial statements as required by AASB 1023 *General Insurance Contracts*.

---

## Responsibilities of the Directors for the Financial Report

The directors of MAIB are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Government Business Enterprises Act 1995* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing MAIB’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate MAIB or to cease operations, or have no realistic alternative but to do so.

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## Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MAIB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MAIB's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause MAIB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ric De Santi  
**Deputy Auditor-General**  
**Delegate of the Auditor-General**

**Tasmanian Audit Office**

14 August 2020  
Hobart

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13 August 2020

The Board of Directors  
Motor Accidents Insurance Board  
33 George St  
**LAUNCESTON TAS 7250**

Dear Board Members

**Auditor's Independence Declaration**

In relation to my audit of the financial report of the Motor Accidents Insurance Board for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of Australian Auditing Standards in relation to the audit
- (b) any applicable code of professional conduct in relation to the audit.

As agreed with the Audit Committee, a copy of this declaration must be included in the Annual Report.

Yours sincerely



Ric De Santi  
**Deputy Auditor-General**  
**Delegate of the Auditor-General**



# CERTIFICATION

---

In the opinion of the directors of the Motor Accidents Insurance Board:

- (a) the financial statements and notes of the Enterprise are in accordance with the *Government Business Enterprises Act 1995*, including:
  - i. giving a true and fair view of the results and cash flows for the year ended 30 June 2020 and the financial position as at 30 June 2020 of the Enterprise; and
  - ii. complying with the Australian Accounting Standards and Interpretations and with the Treasurer's Instructions.
- (b) there are reasonable grounds to believe that the Enterprise will be able to pay its debts as and when they fall due.

This declaration has been made after receiving the following declaration from the Chief Executive Officer and the Chief Financial Officer of the Enterprise:

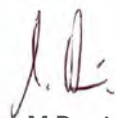
- (a) the financial records of the Enterprise for the period ended 30 June 2020 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*;
- (b) the financial statements, and notes for the period ended 30 June 2020 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995*; and
- (c) the financial statements and notes for the period ended 30 June 2020 give a true and fair view.

Signed in accordance with a resolution of the directors:

Dated 13 August 2020

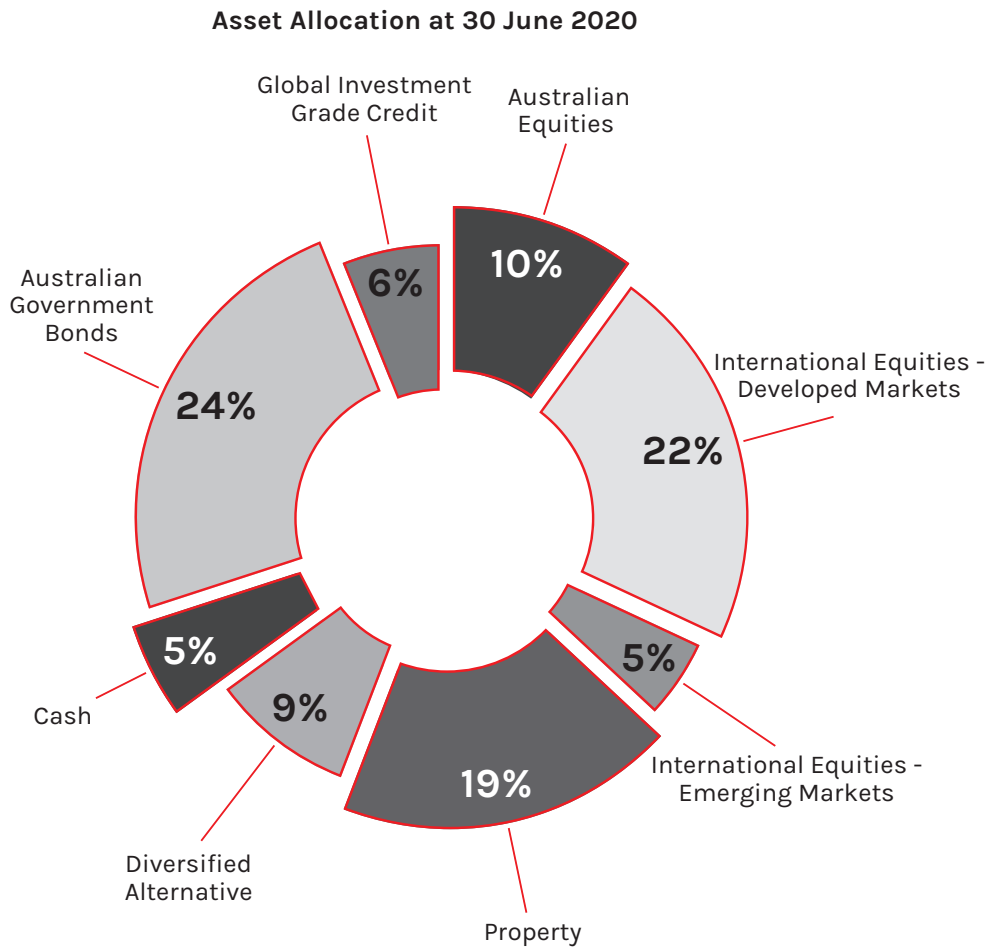
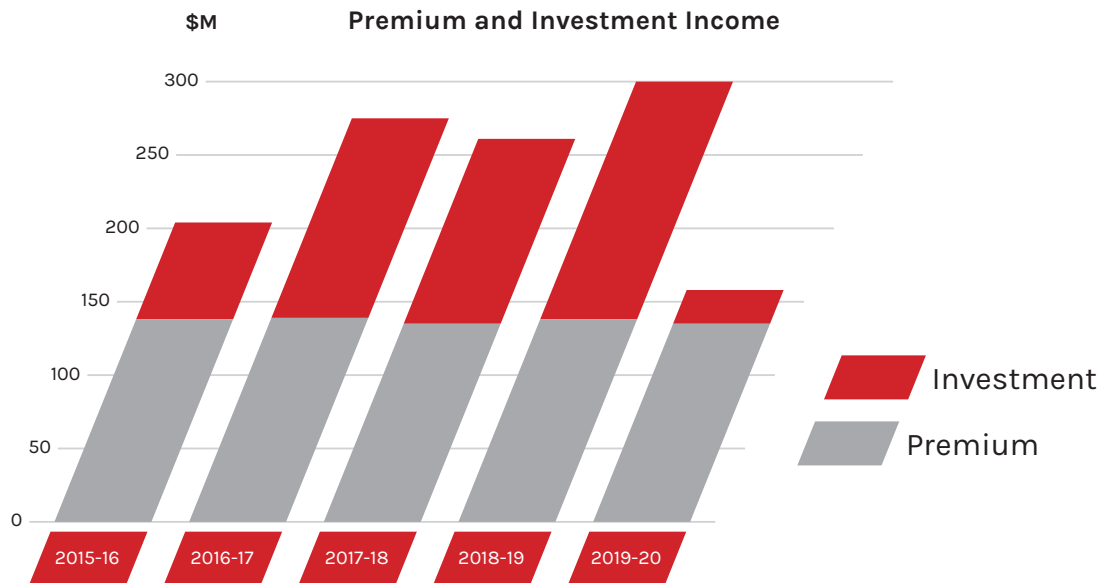


**D W Challen AM**  
Chairman



**M Dontschuk**  
Director

# APPENDIX



## APPENDIX *Continued*

<b>FIVE YEAR SUMMARY - FINANCIAL</b>	<b>2015-16 \$'000</b>	<b>2016-17 \$'000</b>	<b>2017-18 \$'000</b>	<b>2018-19 \$'000</b>	<b>2019-20 \$'000</b>
Net premium revenue	131,946	132,988	129,315	132,657	134,992
Recovery revenue	5,313	3,856	3,794	10,648	4,647
Gross claims incurred	(97,515)	(91,601)	(108,782)	(247,130)	(138,837)
Unexpired risk expense	2,179	(2,477)	1,086	(5,430)	1,216
Other underwriting expenses	(2,805)	(2,874)	(2,930)	(3,006)	(3,121)
Underwriting result	39,118	39,892	22,483	(112,261)	(1,103)
Investment and other revenue	66,917	137,322	126,768	162,811	23,743
Administration, funding and other expenses	(10,770)	(11,536)	(12,015)	(12,141)	(12,888)
Profit/(loss) before tax	95,265	165,678	137,236	38,409	9,752
Tax (expense)/benefit	(25,562)	(46,262)	(37,125)	(8,249)	(1,694)
Profit/(loss) after tax	69,703	119,416	100,111	30,160	8,058
Net assets	460,981	531,643	575,237	553,507	469,504
Dividend paid	47,692	49,705	56,258	51,427	91,878

<b>FIVE YEAR SUMMARY - OPERATIONAL</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Number of vehicles registered	505,132	518,076	532,281	548,528	553,796
Claim payments (\$'000)	75,546	67,269	78,944	85,929	85,350
Number of current claims	2,266	2,105	2,100	2,047	2,198
New claims received	2,732	2,566	2,737	2,621	2,294
Number of fatalities	36	27	33	29	27
Fatality rate per 1,000 vehicles	0.07	0.05	0.06	0.05	0.05
Claims per 1,000 vehicles	5.41	4.95	5.1	4.8	4.2
Tasmanian car premium (\$)	318	294	294	294	294

### Interstate Scheme Comparisons

<b>SCHEME COMPONENT</b>	<b>TAS</b>	<b>VIC</b>	<b>NT</b>	<b>NSW</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>ACT</b>
No fault	Yes	Yes	Yes	Yes <sup>1</sup>	No	No	No	No
Lifetime Care (support for catastrophically injured)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Common Law Rights	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Monopoly Scheme	Yes	Yes	Yes	No	No	Yes	No	No
Motor Car Premium <sup>2</sup>	\$294	\$484	\$561	\$515 <sup>3</sup>	\$351	\$404	\$384 <sup>4</sup>	\$506

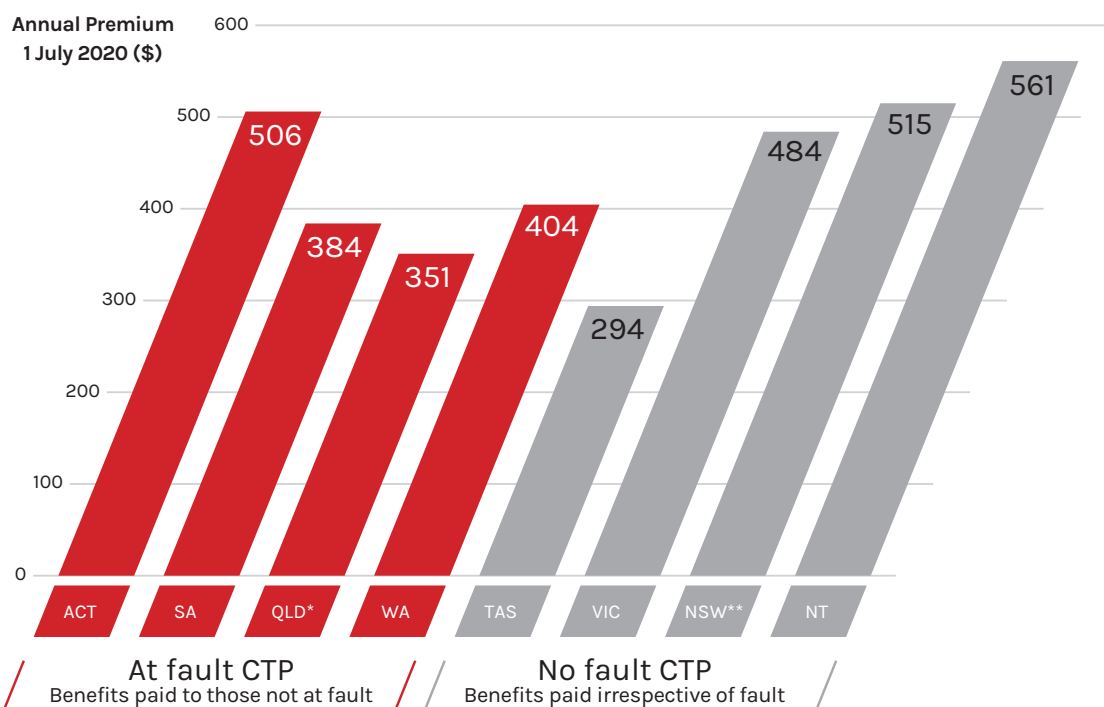
<sup>1</sup> For the first six months (unless charged with a serious driving offence)

<sup>2</sup> Inclusive of GST and as at 1 July 2020.

<sup>3</sup> Average rates for Sydney Metropolitan passenger vehicles (premiums range from \$432 to \$737).

<sup>4</sup> For necessary and reasonable treatment, care and support for children aged under 16 years.

### Interstate Private Motor Car Premium Rate Comparisons



\*For necessary and reasonable treatment, care and support for victims of motor vehicle accidents who suffer minor injuries, for a period of up to 26 weeks

\*\*For necessary and reasonable treatment, care and support for children aged under 16 years

### Payment of Accounts

In accordance with Treasurer's Instruction GBE-13-114-09 (Payment of Accounts), the MAIB is required to report on the timeliness of its payment of accounts. The MAIB has internal policies and procedures to comply with the Treasurer's Instructions and Treasury Guidelines, specifically:

- All relevant, correctly rendered invoices to be paid by the due date, and where they are less than \$50,000 to be paid within 30 days, or by the due date if the payment terms are less than 30 days;
- If payment is made late, interest is to be self-assessed and paid to providers in accordance with negotiated arrangements. The penalty interest to be paid is the greater of \$20, or an amount calculated on a daily basis from the payment due date of the correctly rendered invoice until the date of payment; and
- A formal complaint procedure exists if a provider is not satisfied with the payment of an invoice and/or the payment of penalty interest.

The following payments are excluded from the requirements of the Treasurer's Instructions and Treasury Guidelines:

- Payments made to, or on behalf of, clients (hospital, ambulance, treatment etc.) – these reimbursements are outside the intended scope of the Guideline; and
- Payments by credit card (credit card payments are made at the time of purchase and have been excluded from being assessed against the requirements of the Guideline).

## APPENDIX *Continued*

### Accounts due or paid within 2019-20

Measure	
Creditor Days	9.8
Number of accounts due for payment	11,784
Number of accounts paid on time	11,755
Amount due for payment	\$30,543,820
Amount paid on time	\$30,445,074
Number of payments for interest on overdue accounts	10 <sup>1</sup>
Interest paid on overdue accounts	\$227

<sup>1</sup> Not all creditors sought interest payments on overdue accounts.

### Procurement (Buy Local)

In accordance with Treasurer's Instruction GBE-13-114-11 (Buy Local), the MAIB is required to report on its procurement policies and practices and how these support local businesses.

Payments made to, or on behalf of, clients (hospital, ambulance, treatment etc.) are excluded as these reimbursements are outside the intended scope of the Guideline.

#### MAIB purchases<sup>1</sup> from Tasmanian Businesses 2019-20

Percentage of purchases from Tasmanian businesses	87%
Value of purchases from Tasmanian businesses	\$24.0M

<sup>1</sup> Excludes payments to specialist reinsurers (\$5.6 million) - there are no appropriately licenced reinsurers located in Tasmania.

#### Consultancies<sup>1</sup> valued at more than \$50,000 (ex GST) in 2019-20

Name of consultant	Location	Description	Period of engagement	Amount (\$)
Aon Benfield	Sydney, NSW	Reinsurance broker	Full year	451,307
Centre for Systemic Change	Sydney, NSW	Strategy and culture consultant	1 Dec 2019 to 30 Jun 2020	82,668
Taylor Fry Pty Ltd	Melbourne, Victoria	Actuary	Full year	195,310
Willis Towers Watson	Melbourne, Victoria	Investment Consultant	Full year	333,548
<b>Total</b>				<b>1,062,833</b>
There were 3 consultants engaged for \$50,000 or less totalling				33,505
<b>Total Payment to Consultants</b>				<b>1,096,338</b>

<sup>1</sup> Excludes standard professional services such as accounting, audit, tax and legal services.

### Directors' Meetings

The number of Board and associated Committee meetings held and attendance by Directors in 2019-20 is provided below.

Director	Board (11 meetings held)	Audit Committee (4 meetings held)	Claims Committee (10 meetings held)	Foundation Committee (1 meeting held)
Don Challen AM	██████████	████		█
Kate Cuthbertson	██████████		██████████	█
Michael Dontschuk	██████████	████		
John Hindmarsh <sup>1,3</sup>	████		████	
Evelyn Horton <sup>2</sup>	██████	██	██████	
Naomi Walsh <sup>3</sup>	██████████	████	████	

<sup>1</sup> Commenced on 1 February 2020

<sup>2</sup> Retired from the Board on 31 January 2020

<sup>3</sup> Joined Claims Committee March 2020



## APPENDIX *Continued*

### Directors' Appointment Terms

The appointment details of all Directors are provided below.

Director	Date of original appointment	Commencement date of current term	Expiry date of current term
Don Challen AM	17/12/2010	17/12/2019	16/12/2022
Kate Cuthbertson	27/11/2015	27/11/2018	26/11/2021
Michael Dontschuk	1/5/2013	21/5/2018	20/5/2021
John Hindmarsh	1/2/2020	1/2/2020	31/1/2023
Evelyn Horton	16/5/2017	16/5/2017	Retired: 31/1/2020
Naomi Walsh	1/1/2019	1/1/2019	31/12/2021

### Public Interest Disclosures Act 2002

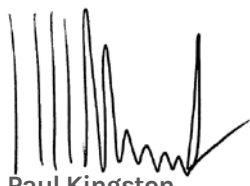
The MAIB is committed to the aims and objectives of the *Public Interest Disclosures Act 2002* (PID Act). It does not accept improper conduct by its employees or officers or the taking of detrimental action against those who come forward to disclose such conduct.

Value is placed upon transparency and accountability in administrative and management practices and support is given to the making of disclosures that reveal the type of conduct to which the PID Act is directed. All reasonable steps are taken to protect the welfare of people who make such disclosure from any detrimental reprisal or action. Natural justice is afforded to all parties involved in any investigations of a disclosure.

Procedures that comply with the requirements of the PID Act are available on the MAIB website. There were no reported or reportable disclosures under the PID Act during the 2019-20 period.

### Superannuation

I certify that the MAIB has met its obligations under the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* in respect of any employee who is a member of a complying superannuation scheme to which the MAIB contributes.



Paul Kingston  
Chief Executive Officer











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